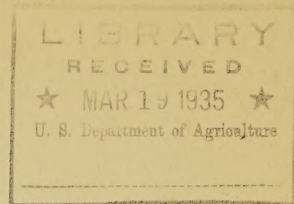


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

R E P O R T

MEETINGS OF
REPRESENTATIVES OF CATTLE INDUSTRY
WASHINGTON, D. C.

First Meeting - February 27-28, 1935

Second Meeting - March 5-6, 1935

R E P O R T

MEETING OF REPRESENTATIVES OF THE CATTLE INDUSTRY

WASHINGTON, D. C.

FEBRUARY 27 & 28, 1935

C. J. Abbott	Hyannis, Nebraska
A. L. Berg	Baltic, South Dakota
(1) Dolph Briscoe	Uvalde, Texas
Grover B. Hill (Alternate)	Amarillo, Texas
Elmer Brock	Kaycee, Wyoming
Frank Delaney	Glenwood Springs, Colorado
(2) L. A. Chapin	11 West 42nd Street
	New York, New York
Chas. E. Collins	Kit Carson, Colorado
(1) Maurice E. Douglas	Flat Rock, Indiana
Marion R. Finley	Hoopeston, Illinois
Thomas B. Glascock	Upperville, Virginia
R. M. Gunn	Buckingham, Iowa
Kenneth Hones	Colfax, Wisconsin
Carl S. Horn	Hay Springs, Nebraska
F. F. McArthur	Oakland, Iowa
(1) J. H. Mercer	Topeka, Kansas
James Tod (Alternate)	Maple Grove, Kansas
W. B. Mount	Shouns, Tennessee
(1) Herman Oliver	John Day, Oregon
C. L. Jamison (Alternate)	Klamath Falls, Oregon
A. J. Olson	Renville, Minnesota
H. H. Parke	Genoa, Illinois
Judge G. W. Rittenour	Piketon, Ohio
Joe Robinson	Mercer, Pennsylvania
Thomas A. Ross	Chinook, Montana
Hubbard Russell	618 I. W. Hillman Bldg.
	Los Angeles, California
J. Blaine Shaum	Tarkio, Missouri
E. B. Weatherly	Cochran, Georgia

ADVISORS

Willard Edwards
George M. Lester

Humbolt, Iowa
Bains, Louisiana

- (1) - Did not attend.
(2) - Did not attend first day.

AGENDA OF MEETING OF REPRESENTATIVES OF THE CATTLE INDUSTRY

February 27, 1935.

Meeting called to order by Chairman 10:00 A.M.
 Harry Petrie, Chief, Cattle and Sheep Section

Summary of Cattle Purchases under the Drought Program 10:05 A.M.
 Col. Philip G. Murphy, Chief, Commodities Purchase Section

The Disease Eradication Program - Progress in 1934 and
 Plans for the Future 10:30 A.M.
 Dr. J. R. Mohler, Chief, Bureau of Animal Industry

The Livestock Situation 11:15 A.M.
 C. L. Harlan, Division of Crop and Livestock Estimates, B.A.E.
 G. B. Thorne, Production Planning Section, A.A.A.

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Meeting called to order by Chairman 2:00 P.M.
 A. G. Black, Director, Livestock and Feed Grains Division, A.A.A.

General Problems of Livestock Adjustment 2:05 P.M.
 Chester C. Davis, Administrator

Stabilizing Livestock Production through a Control of
 Feed Grain Acreage 2:15 P.M.
 Secretary of Agriculture Henry A. Wallace

Discussion

Stabilizing Cattle Production through a Control of
 Grazing in the West 3:00 P.M.
 F. R. Carpenter, Director of Grazing, Department of Interior
 Mr. Rachford, Ass't. Forester, Forest Service

Discussion

Stabilizing Cattle Production through Credit 4:00 P.M.
 Chas. Stewart, Deputy Commissioner, Production Credit, F.C.A.

Discussion

A motion was made that three committees be appointed to consider vital matters pertaining to the cattle industry and that the findings of these committees be submitted to the conference at its next session.

MEETING OF REPRESENTATIVES OF THE CATTLE INDUSTRY

February 28, 1935.

Morning Session

The meeting was called to order by Chairman Petrie.

After a few opening remarks by the chairman, the report of the Credit Committee was called for. The Committee consists of the following:

C. E. Collins, Chairman
C. L. Jamison, Secretary
W. B. Mount
G. W. Rittenour
A. J. Olson
T. A. Ross
Mr. Tod

Mr. Jamison, Secretary of the Committee, read the following report:

"WHEREAS a reliable and efficient source of credit is essential to the well-being of the livestock industry,

IT IS RESOLVED: that we urge the maintenance and extension of proper credit facilities for the livestock industry.

WHEREAS many livestock producers are mortgaged to Regional Agricultural Credit Corporations, and whereas these corporations are in process of liquidation, and further it is our belief that any forced collection of livestock loans would be detrimental to both individuals and the industry,

IT IS RESOLVED: that we urge the greatest care and consideration in the liquidation of these Regional Agricultural Credit Corporations, and further that the Production Credit Associations of the Farm Credit Administration be allowed to take over these Regional loans on first and second mortgage basis.

WHEREAS, it is our belief that the past troubles of the livestock industry have in part been due to the unreasonable extension of credit in times of rising prices,

IT IS RESOLVED: that we urge that no extension of credit be made on the basis of inflated values or to new or untried operators.

WHEREAS, it is our belief that it is of benefit to the livestock industry to change tenants into landowners at the earliest opportunity, and whereas there are no sources of credit available for this purpose,

IT IS RESOLVED: that we urge that a study of this situation be made by the Farm Credit Administration in order to determine a suitable plan to enable tenants to become landowners."

Mr. Tod (Kansas) moved that the last resolution be struck out, but at the suggestion of Chairman Petrie changed his motion to strike out "there are no sources of credit available for this purpose," and substitute "the sources of credit are not adequate for this purpose,".

Adoption of the report was moved and seconded and unanimously approved.

The report of the Marketing Committee was called for next. The Marketing Committee consists of the following:

Hubbard Russell, Chairman
R. M. Gunn
Frank Delaney
H. H. Parke
Joe Robinson
C. S. Horn
E. B. Weatherly
Kenneth Hones, Secretary

MR. RUSSELL (California) Chairman of the Committee: "This sub-committee adopted the resolutions in our report unanimously, feeling that our great need is a marketing agreement. Up to the present time I have not found one man who objected to such an agreement for the purpose of stabilizing our industry. There is a great complaint from the public over the difference between what the producer receives and what the public pays. It is very important to find out where this waste occurs in the processing and marketing of the commodity. Such a move would be a sound method of getting at the handling of our product."

"We believe you can influence the producers through proper presentation of facts and information to become better acquainted with their industry. There has been a great mystery surrounding the processing of our livestock and the dissemination of information through the adoption of a marketing agreement would greatly influence the producers in their operations."

Mr. Russell read the following resolution:

"We recommend that the Secretary of Agriculture authorize the Administrator of the Agricultural Adjustment Administration to appoint, at the earliest possible date, the following standing committee:

- A. Administrator Davis and Harry Petrie, Chief of the Cattle and Sheep Section as representatives of the Department of Agriculture.
- B. Two processors - one representing what is known as the "Big Four" and one representing the independent packers.
- C. Five representatives of the Cattle Industry throughout the United States.

The purpose of this committee will be to perfect some definite and equitable marketing agreement for the handling of cattle and cattle products."

MR. WEATHERLY (Georgia): "I move to add to this committee two representative retailers in order to coordinate the whole hook-up, which I believe would be to our benefit."

This motion was seconded.

CHAIRMAN PETRIE: "I ask that the entire responsibility be left to Mr. Davis to appoint on the committee as the other representative of the Government any man he wishes. I think it definitely unfair to Mr. Davis to indicate whom he appoints to be associated with him on this committee. Further than this, it does not seem that you are treating me fairly. Therefore, I object to the motion as moved and seconded, and will ask you, Mr. Russell, to withdraw the motion and then there will be nothing before the house. I do suggest, however, that your committee withdraw and put the motion in such form that it may be properly submitted to this group."

Mr. Russell withdrew the motion and the committee retired for the purpose of formulating a new resolution.

* * *

Upon the return of the committee to the meeting a resolution was submitted which read as follows:

"We recommend that the Secretary of Agriculture authorize the Administrator of the Agricultural Adjustment Administration to appoint, at the earliest possible date, the following standing committee:

- A. Two representatives of the Department of Agriculture.
- B. Two processors - one representing what is known as the "Big Four" and one representing the independent packers.
- C. Two representatives of the retail trade.
- D. Five representatives of the Cattle Industry throughout the United States.

The purpose of this committee will be to perfect some definite and equitable marketing agreement for the handling of cattle and cattle products."

MR. LESTER (Louisiana): "I am in accord with the resolution, but I believe that five members will not adequately represent the cattle industry in the United States. I assume that the method of dividing the United States will be according to the Governmental plan which separates the States into groups, such as North Atlantic, South Atlantic, etc. Inasmuch as a single State may have as many cattle as several other States combined, I move that there be seven members in order to secure for the cattlemen of each group a representative on the committee."

"Because of the reduction of acreage of the cotton groups, etc., our farmers are turning to the raising of cattle and I can assure you that Louisiana will be a factor in the cattle industry."

Mr. Lester further pointed out that rice and molasses instead of corn were being used to feed livestock. He also pointed out that the possibility of raising corn in Louisiana was very good.

MR. GUNN (Iowa): "I am going into this agreement with the belief that men will be selected who will be familiar with the entire problem and with that understanding, I think we are making a step in the right direction."

MR. WEATHERLY (Georgia): "It is my belief that a committee of two will not be representative enough for the Government, and I suggest that the resolution be changed to read "a committee" without stating any definite number to represent the Department of Agriculture."

The resolution as changed read as follows:

"We recommend that the Secretary of Agriculture authorize the Administrator of the Agricultural Adjustment Administration to appoint, at the earliest possible date, the following standing committee:

- A. A committee representing the Department of Agriculture.
- B. Two processors - one representing what is known as the "Big Four" and one representing the independent packers.
- C. Two representatives of the retail trade.
- D. Seven representatives of the Cattle Industry throughout the United States.

The purpose of this committee will be to perfect some definite and equitable marketing agreement for the handling of cattle and cattle products."

Adoption of this resolution was moved and seconded and unanimously approved.

Mr. Russell then read the second resolution which is as follows:

"We recommend, in furtherance of the interests of the consumers, the producers, and the feeders, that a program for compulsory grading and stamping of beef be immediately adopted."

This resolution was moved to be adopted, seconded and unanimously approved.

The report of the Legislative Committee, consisting of the following members, was then called for:

C. J. Abbott, Chairman
J. B. Shaum
Thomas B. Glascock
J. Elmer Brock
Marion R. Finley
A. L. Berg
F. F. McArthur, Secretary
Grover B. Hill

Mr. McArthur (Iowa), Secretary of the Committee, rose to read the resolutions adopted by them. Before he proceeded, the Chairman suggested that each section of the bill which the Committee was given to consider and its resolution on the same be submitted separately and voted on separately. This was agreed to.

MR. McARTHUR (Iowa), Secretary of the Legislative Committee: "A Bill HR 5585 - To amend the Agricultural Adjustment Act, and for other purposes."

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (1) of section 8 of the Agricultural Adjustment Act, as amended, is further amended by striking out the semicolon in the first sentence thereof and inserting in lieu thereof the following: 'and/or to be made in quantities of one or more agricultural commodities acquired by the Secretary of Agriculture pursuant to this title;'"

"The Committee moves that said section be adopted."

Adoption of this motion was seconded and unanimously approved.

MR. McARTHUR, Secretary: ^{Sec. 2.} The first sentence of subsection (b) of section 12 of the Agricultural Adjustment Act, as amended, is amended to read as follows:

"In addition to the foregoing, for the purpose of effectuating the declared policy of the Act, the proceeds derived from all taxes imposed under this title are hereby appropriated to be available to the Secretary of Agriculture for (I) expansion of markets and removal of surplus agricultural commodities or products thereof, (II) the acquisition of any agricultural commodity pledged as security for any loan made by any federal agency, which loan was conditioned upon the borrower agreeing or having agreed to cooperate with a program of production adjustment or marketing adjustment adopted under the authority of this title, and (III) the following purposes under part 2 of this title: Administrative expenses, rental and benefit payments, and refunds on taxes."

"In connection with this section the Legislative Committee moves that the benefit payments be limited to products levied upon."

Adoption of this motion was seconded and unanimously approved.

MR. McARTHUR, Secretary: "Sec. 3. Subsection (3) of section 8 of the Agricultural Adjustment Act, as amended, is amended to read as follows:

"(3) (A) After due notice and opportunity for hearing, and upon a finding by the Secretary that such action will tend to effectuate the declared policy of the Act, to issue licenses to processors, associations or producers, and others engaged in the handling of any agricultural commodity or product thereof, or any competing commodity or product thereof, in the current of or in competition with or so as to burden, obstruct, or in any way affect, interstate or foreign commerce, which provide that such handling may be engaged in by the licensees only upon such terms and conditions not in conflict with existing Acts of Congress or regulations pursuant thereto, as may be necessary, (I) to eliminate unfair practices or charges that prevent or tend to prevent the effectuation of the declared policy and the restoration of normal economic conditions in the marketing of such commodities or products and the financing thereof, or (II) to make effective any marketing plan set forth in any marketing agreement (or appendix thereto) signed by the persons handling not less than fifty per centum of the volume of the business done in the respective classes of industrial or commercial activity specified in such agreement, or (III) to make effective the marketing plan set forth in any proposed marketing agreement, on which a hearing has been held, whenever the Secretary, with the approval of the President, determines (a) that the refusal or failure to sign such proposed agreement by the persons handling more than 50 per centum of the volume of business done in any class of industrial or commercial activity specified therein, tends to prevent the effectuation of the declared policy with respect to the commodity or product covered by such proposed agreement, and (b) that it appears from said hearing that the issuance of such license is the only practical means of advancing the interests of the producers of such commodity pursuant to the declared policy. No license shall be issued pursuant to clauses (II) or (III) of the preceding sentence unless the terms and conditions thereof (a) have been set forth in an executed or proposed marketing agreement, as the case may be, or in an appendix thereto, and (b) are made applicable only to persons in the respective classes of industrial or commercial activity specified in such executed or proposed agreement. No license issued under this title shall be applicable to any producer in his capacity as a producer."

"(B) Any licensee under any license issued pursuant to this title, or any officer, director, agent or employee of such licensee, who violates any provision of such license, (other than a provision calling for payment of a pro rata share of expenses) shall, on conviction, be fined not less than \$50.00 or more than \$500.00 for each such violation, and each day during which such violation continues shall be deemed a separate violation. Provided, however, that no person shall be convicted under this title because of any violation (I) of any license or (II) of any obligation imposed in connection therewith, if such violation occurs between the date upon which such person files with the Secretary a petition, with respect to such license or obligation, as provided for in this subsection, and five days after the Secretary enters an order thereon."

"Any licensee may file a written petition with the Secretary of Agriculture stating that any provisions of any such license or any obligation imposed in connection therewith is not in accordance with law and

he shall thereupon be given an opportunity for a hearing upon such petition, in accordance with regulations made by the Secretary of Agriculture with the approval of the President. After such hearing, the Secretary shall make an order which shall be final, if in accordance with law. The District Court of the United States in any district in which such licensee is an inhabitant or has his principal place of business is hereby vested with jurisdiction in equity to review such order, provided a bill in equity for that purpose be filed within twenty days from the date of the entry of such order; service of process in such proceedings may be had upon the Secretary by delivering to him a copy of the bill of complaint. If the court determines that such order is not in accordance with law, it shall remand such proceedings to the Secretary with directions either (a) to enter such order as the court shall determine to be in accordance with law, or (b) to take such further proceedings as, in its opinion, the law requires."

"The Committee moves that Section 3 be retained under condition that at least 50 percent of the producers of the commodities involved initiate the program."

Adoption of this motion was seconded and unanimously approved.

MR. McARTHUR, Secretary: "Sec. 4. Section 8 of the Agricultural Adjustment Act, as amended, is further amended by adding thereto the following new subsection:

"(4) (a) All parties to any marketing agreements, and all licensees subject to a license, (whether such parties and licensees be corporations or others), shall severally, from time to time, upon the request of the Secretary, furnish him with such information as he finds to be necessary to enable him to ascertain and determine the extent to which such agreement or license has been carried out and/or has effectuated the declared policy of the Act, and, with such information as he finds to be necessary to determine whether or not there has been any abuse of the privilege of exemptions from the antitrust laws, such information to be furnished in accordance with forms of reports to be supplied by the Secretary. For the purpose of ascertaining the correctness of any report made to the Secretary pursuant to this subsection (4) (a), or for the purpose of obtaining the information required in any such report where it has been requested and has not been furnished, the Secretary is hereby authorized to examine any books, papers, records, accounts, correspondence, contracts, documents, or memoranda, within the control (I) of any such party to such marketing agreement, or any such licenses, from whom such report was requested and/or (II) of any person having, either directly or indirectly, actual or legal control of or over such party or such licensee and/or (III) of any subsidiary of any such party, licensee or person."

"Notwithstanding the provisions of Section 7, all information furnished to or acquired by the Secretary of Agriculture pursuant to this subsection shall be kept confidential by all officers and employees of the Department of Agriculture and shall be disclosed only in a suit or administrative hearing brought at the direction, or upon the request, of the Secretary of Agriculture, or to which he is a party, and involving

the marketing agreement or license with reference to which the information so to be disclosed was furnished or acquired; Provided, however, that nothing in this subsection shall be deemed to prohibit (A) the issuance of general statements based upon the reports of a number of parties to a marketing agreement or of licensees, which statements do not identify the information furnished by any individual, or (B) the publication by direction of the Secretary of the names of any persons violating any marketing agreement or any license, together with a statement of the particular provisions of the marketing agreement or license violated by such persons. Any such officer or employee violating the provisions of this subsection shall upon conviction be subject to a fine of not more than \$1,000 or to imprisonment for not more than one year, or to both, and shall be removed from office."

"The Committee moves that Section 4 be adopted."

Adoption of this motion was seconded and unanimously approved.

MR. McARTHUR, Secretary: "Sec. 5. Section 8 of the Agricultural Adjustment Act, as amended, is further amended by adding after subsection 5 thereof the following new subsection:

"(6) No marketing agreement or license shall contain provisions for establishing quotas or allotments limiting the amount of the commodity, covered by such marketing agreement or license, which may be purchased or in any other way received by all parties to such marketing agreement and by all licensees under such license from each of any classification of individual producers, unless the Secretary first determines that such provisions are approved or favored (I) by at least two-thirds (2/3) of the producers who, during a representative period determined by the Secretary, have been engaged in the production for market of the commodity covered by and defined in such marketing agreement or license, or (II) by producers who, during such representative period, have produced for market at least two-thirds (2/3) of such commodity. The Secretary of Agriculture may at any time terminate or from time to time suspend the operation of any marketing agreement or license, or any provision thereof, and he shall terminate any marketing agreement or license, at the end of the then current production or marketing period for such commodity as specified in such marketing agreement or license whenever he finds that such termination is favored by a majority of the producers who, during a representative period determined by the Secretary, have been engaged in the production for market of the commodity covered by and defined in such marketing agreement or license, provided that such majority have during such representative period produced for market more than fifty percent (50%) of such commodity."

"The Committee moves that Section 5 be adopted."

MR. RUSSELL (California): "It appears to me that if the producers apply for a marketing agreement they would have to support that application with the approval of two-thirds of the producers, whereas the termination of that same agreement can be had by the request of only 50 percent. This does not seem consistent."

MR. ABBOTT (Nebraska): "I would like to point out that although it will take two-thirds to put this across, after it once has been established if it was found that it was not wanted or impractical it would take only 50 percent to secure its termination, and this, you all will agree, would be to the advantage of the cattle industry."

"The Committee moves that Section 5 be adopted."

Adoption of this motion was seconded and unanimously approved.

MR. McARTHUR, Secretary: "Sec. 6. Subsection (b) of Section 10 of the Agricultural Adjustment Act, as amended, is amended to read as follows:

"(b) The Secretary of Agriculture is authorized to establish, for the more effective administration of the functions vested in him by this title, State and local committees, or associations of producers, and to permit cooperative associations of producers, when in his judgment they are qualified to do so, to act as agents of their members and patrons in connection with the distribution of rental or benefit payments and in the administration of this title, shall accord such recognition and encouragement to producer-owned and producer-controlled cooperative associations as will be in harmony with the policy toward cooperative associations set forth in existing acts of Congress, and as will tend to promote efficient methods of marketing and distribution."

"Any license issued by the Secretary under this title may provide that each licensee thereunder shall pay to any authority or agency established under such license, such licensee's pro rata share (as approved by the Secretary) of such expenses as the Secretary may find will necessarily be incurred by such authority or agency, during any period specified by him, for the maintenance and functioning of such authority or agency. Any such authority or agency may maintain in its own name, or in the names of its members, a suit against any licensee for the collection of such licensee's pro rata share of expenses and the several district courts of the United States are hereby vested with jurisdiction to entertain such suits regardless of the amount in controversy."

"The Committee moves that Section 6 be adopted."

Adoption of this motion was seconded and unanimously approved.

IT BEING NOON, THE MEETING ADJOURNED UNTIL 2 O'CLOCK

* * *

The meeting was called to order by Chairman Petrie.

THE CHAIRMAN: "Gentlemen: We have now concluded our deliberations with the exception of a discussion of the proposed bill that we anticipate will be submitted in Congress in the near future. You are

all familiar to some extent with the purposes of that bill, Secretary Wallace having explained to you the reason for the bill, indicating its origin, and discussed with you the identity of the sponsors of the bill; and further than this, in the session of your Legislative Committee last night, Mr. Clif Gregory gave you the opportunity to consider the proposed bill, item by item."

"However," part of you know nothing about the bill, I assume, except the very thorough explanation given you by Secretary Wallace yesterday. Therefore, I think this afternoon session should be very informal in order that everyone may have an opportunity of expressing his views. Thorough discussion will naturally develop more complete knowledge of the matters considered in the bill."

"It is my understanding that Administrator Davis' purpose in calling you together was, first, that you might have an opportunity to discuss the bill and many other matters that are definitely in your minds at this time relative to future plans that may be beneficial to your industry. I think he particularly wished that you should have first hand definite information in order that you might discuss the matter at home with the people you represent in its direct form before they receive such information as might come through the press. And I further believe that before you leave here you should be able to indicate what you think would be the reaction of the people at home whom you represent."

"I think you all fully realize it is not the policy of Secretary Wallace or Administrator Davis to attempt to put over any matter without giving the industry the full opportunity to study the matter in hand, whatever it may be, in order that a fair expression of those interested can be obtained. In other words, it is definitely their desire to have the approval of the industry of any regulations before they are put in force."

"In order to have you realize that the Chair has no intention of influencing any of the remarks, I will not call for specific individuals, but will ask you to rise in your turn and express your ideas freely and frankly, and I hope before the meeting is over we will have an expression from everyone here."

MR. JAMISON (Oregon): "The Credit Committee has added two resolutions to its report, and I would like your permission to now read these to the meeting."

"WHEREAS the western range operator must now lease part of his range from one or more of the following Federal agencies, namely, the Indian Service, The Forest Service, The Taylor Grazing Administration, The Biological Survey, The Reclamation Department, and others, and WHEREAS there is little, if any, cooperation between these Departments, and in some cases there is definite antagonism between them, and WHEREAS such a situation impairs the credit of range operators both with private and Federal land agencies because of uncertain and different rules

and regulations pertaining to the leasing of the Federal lands,

IT IS RESOLVED: that we urge a closer cooperation between agencies leasing land, and further, that they expedite the issuance of term permits to conform as nearly as possible to requirements of Federal credit agencies so that landowners using Federal land may obtain permits commensurate with their holdings, and

IT IS FURTHER RESOLVED: that we urge Congress to establish a Grazing Bureau which will administer under one head, all grazing facilities provided by the various Governmental agencies, and now scattered through several Bureaus and Departments.

WHEREAS the cattle industry of the United States has been subjected to unprecedented drought during the past year which has nearly brought disaster to the entire industry, and WHEREAS able and efficient work of the Department of Agriculture and the Agricultural Adjustment Administration has been of great aid and assistance to the industry, and in many cases has prevented complete disaster,

IT IS RESOLVED: that we, as representatives of the Cattle Industry, extend our most sincere thanks and appreciation to Secretary Henry A. Wallace of the Department of Agriculture; Mr. Chester C. Davis, Administrator of the Agricultural Adjustment Administration; Col. Philip G. Murphy, Director of the Commodities Purchase Division; and to Mr. Harry Petrie, Chief of the Cattle and Sheep Section; and to all others whose untiring efforts have been of such great assistance to our business."

Adoption of these resolutions was seconded and unanimously approved.

THE CHAIRMAN: "Inasmuch as each seems to be waiting for the other to make an official statement, I will call on Mr. McArthur, Secretary of the Legislative Committee, to discuss the bill submitted by the Secretary yesterday."

MR. MCARTHUR (Iowa): "There was no resolution made on this bill by our committee and the matter was left entirely open to the consideration of the entire conference. We all discussed the bill to some extent, and I believe there was a fifty-fifty feeling as to a processing tax. The bill was for the feed-grain reduction program for the control of livestock which will mean a processing tax graduated and levied against the use of corn by the animal. Although it was before our committee to approve or disapprove it, we felt that since this bill was so important we thought it would be best to leave it open to the conference for free and frank discussion."

THE CHAIRMAN: "I would like to have each of you discuss this bill as it affects your territory."

MR. HORN (Nebraska): "I believe the entire West is opposed to any

program dragging cattle and sheep into the same category as hogs, where the industry is taxed to bring about a reduction in numbers. In 1933 we were asked not to sell wool, but to ship it to the East where it was stored. It worked all right that year, but now they are trying to create a market for the wool and to regulate our industry."

MR. WEATHERLY (Georgia): "I come from a section that believes in other State's rights. For a long time, however, I have felt that agriculture needed help. I am hazy about this proposed bill, nor do I know what the results would be of shortening the feed crop and thereby shortening production. I feel that the cattle industry should have a program of some kind. In the first place, if the cattle industry became extremely profitable the other industries would complain about being limited. On the other hand, I feel strongly that we should not benefit at the expense of the hog growers. I believe if we can correct the cattle numbers by feed, we should do it. I myself do not see that, but believe there should be some program of our own which we know will fit our industry."

"I know that everybody under these programs is satisfied, and I have no doubt that if we do adopt a program we will also be satisfied. However, I do not believe we should take any action on the bill as outlined yesterday."

MR. TOD (Kansas): "I can not say that in our country the hog program has been successful. I do not think that the tobacco program or any of the other adjustment programs have met with much success. It seems to me that the hope that something might be done to control any one product seems to be a vain hope, and if you look at the history of the world you will see it has always failed. If we adopt a program as suggested yesterday by the Secretary and put a tax on hogs, cattle, sheep, and butterfat, it is going to be the greatest boon to the chicken people."

"The increase in the price of meats is reflecting itself in the restaurants today where consumption is being lowered. We in Kansas are in three kinds of territory, but we are not agreeable to a program which would cause the price of meat to go so high that it would lower the consumption."

"There is a big run of Canadian cattle coming into the country and I look for a big run of cattle from Mexico. I do not see where we should penalize ourselves by cutting our own production through taxes when such conditions exist."

"We have been told all along that the Administration would be one of trial and error, and so far as I can see, there has not been a discontinuance of its mistakes. Gentlemen, I think a motion is in order to oppose any program as mentioned yesterday by the Secretary of Agriculture."

MR. DELANEY (Colorado): "I suppose that a new member should listen and have nothing to say. However, although I am a new member, in the face of the frank and free discussion of the gentleman from Kansas, and having, as I do, a different view, it is my duty to express that view. I believe

that when we see we are confronted with destruction we all turn to the United States Department of Agriculture and try to determine what is the matter. I came here entirely ignorant of all of the phases of the program. However, I believe that it is incumbent upon us to say that this conference was a failure if we do not follow the Triple A program. I believe what we should do is get a committee to work out a program, and believe that the place to start is with this marketing contract and then as we make mistakes, meet these mistakes by changing the program, which certainly is flexible. I believe if we are getting benefited at the corn man's expense we should do our share to bear some part of it. However, I think we should wait until they show us or we can show them where we go from there. Then, and then only, should we support a processing tax."

MR. McARTHUR (Iowa): "I come to you with mixed feelings and some very definite notions. I take exception to Mr. Tod's statement that the corn-hog program has been a failure. I believe he measures it just by his section of the country because I can say from the results obtained in my part of the country, it was highly successful. The cost of the administration in our section is only around 2 percent. For my part, the cost of administration can go still higher. I know that before there was a A.A.A. program, hogs were selling under 4 cents. Undoubtedly, some part of the present increase in hog prices was due to the drought, but this is not true 100 percent, because hog prices were rising before we had a drought. However, it can not be disputed that we are getting two and a half to three times what we got for hogs a short time ago, and the same is true for cattle."

"I certainly would like to see the industry go along with any sane program because we should make every effort to hold the advantage that we now have, however it came. I do know that without some kind of a program we are going to repeat that vicious cycle of high and low prices that we are all so familiar with. Personally, I do not see how the producer can kick against a processing tax. I do not know who pays the tax, but I do know we need a program of some kind, because I do not want to go back to 3-cent hogs and 25-cent ewes."

MR. CHAPIN (New York): "It is my belief we must have some constructive program and work to accomplish something worth while. I personally do not like regulation, but we found ourselves in a jam two or three years ago and we went to the right persons to help us because I know the Agricultural Adjustment Administration program certainly did help us in the Northeast."

THE CHAIRMAN: "Mr. Chapin, would you mind answering a personal question?"

MR. CHAPIN (New York): "No".

THE CHAIRMAN: "Would you be opposed to a processing tax on fluid milk?"

MR. CHAPIN (New York): "Under a constructive program I do not see any reason why fluid milk should be exempt."

MR. GUNN (Iowa): "I believe that we should try to regulate ourselves to the world in which we are now living. To illustrate that I want to tell you an experience I had.

"I was travelling on the train one day and a fellow traveller began quizzing me on why we were cutting down production to raise prices, and making the consumer pay for it. I found out in my talk with him that he was in the steel and iron business and I further learned that these two businesses and other businesses have cut down as much as possible and told their employees to go 'jump into the river'.

"That is the kind of a world we are living in. Now let us try to run our business to fit the kind of a world we are living in. If we don't we are going under. If we don't regulate our affairs as other businesses do we are going back to those vicious cycles which will snow us under. I believe that we should stick together and fight together and regulate our industry."

MR. LESTER (Louisiana): "I find that we do not see where anybody has put forth any argument for a specific program. I represent a large group in the South and I do not think there would be a bit of trouble to sell them a good idea of cooperation with the rest of the industry.

"Frankly I have found no one who gave us an idea as to why this program we are discussing would work out. If it was true that by reducing feed, such a step would reduce animal numbers, that would be fine, but I do not see where this would be done.

"In our part of the country people are turning over lands which were put out of production in the sugar belt and are turning to the cattle and corn industries. I believe that this program if carried out might stimulate them to raising more cattle; but I do not see where this program will work. The Secretary himself yesterday could not explain why it would work."

"Frankly, before voting for any program I would like to be able to explain to my people why the program is going to better the industry."

MR. GUNN (Iowa): "I want to make this clear. If our program is not worked out we would raise enough corn in Iowa to reduce the price to about 25¢ a bushel and the next year we would without any control be back at 10¢ corn again without any benefit to anyone. We want to control our production and to prevent that which will happen. We must start a program now. It is just a matter of getting a program which will allow us to have at least cost production as we go along."

MR. OLSON (Minnesota): "I just do not understand some of this. In the first place we are talking about putting processing taxes on other livestock besides hogs to pay for the reduction in our grain program. If we are going to curtail our production of all kinds by curtailing the grain we are going to use our feed right up to the limit and if an emergency confronts us as it did this past year we are going to pay for it. I do not see where the two hook up. If the corn-hog people did not benefit from

their programs and want someone else in to help pay for the cost why should we go in to help them pay for something that did not work?"

(It was here interposed that the hog men were not asking anyone else to enter into their program and this point was dropped by Mr. Olson.)

"Some people have remarked to me that the Government has been playing Santa Claus to the cattle men. I fail to see this as the cattle were bought cheaply and were used to feed the poor people who would have to be fed by the Government anyway. The thing I want to come to is that we are not getting at the solution of this thing. Mr. Gunn spoke of everyone reducing. Here is how the contraction program will work out. There will be a cycle of less and less until in no time there will be not enough. On the other side I believe we should play up the monetary phase of the 3 A's and expand. If we had proper credit facilities we could expand safely and properly. We have been told that the deflation of our dollar has caused European nations to come into the United States and buy, and in fact there has actually been a great increase in shipments out of the United States since this has been done. I believe that the playing up of the reduction aspect is entirely wrong."

MR. EDWARDS (Iowa): "I remember back in the 90's we had different farm organizations and cattle organizations whose aim was to make the conditions better. It seems to me that there has been a lot of efforts wasted and it appears that this is because there have not been enough of us to back up the measures advocated. We all have our own selfish interests, but still are drawn together. I believe if we followed the corn-hog people we also would benefit and I defy anyone to prove that in Iowa the Agricultural Adjustment Program has not bettered conditions. Out there we are on the way back. And it seems to me that if we can keep this corn above 30¢ a bushel we are going to have a fairly even flow of cattle. If this can be done through control of grain production it is going to keep the men from going into the feed business every time corn is low."

MR. HONES (Wisconsin): "This is a big subject we are discussing today and I believe we have deviated from the real subject before us. There was a statement made that the tobacco program was a failure. Wisconsin is not a big tobacco state but as far as the cooperative marketing of tobacco is concerned it ranks high. After organizing and in conjunction with other pools in the United States we were able to raise the price from 4¢ to 16, 17 and even 20¢. However, we lost sight of the fact that thousands of others would go into the business to take advantage of the high prices. Those people caused the prices to crumble to 2 1/2¢ and if we had had a program preventing their entry such a drop in tobacco prices could not have occurred. Whether the program as written is sound or is not sound I do not know. I do know we have to start some place and I agree with some of the others that we should have some kind of a program. I, as a dairy farmer am in a group representing 40% of the beef cattle. I am going to say that if this group is not willing to join the rest of the basic commodities there can be no blame if we are penalized."

"I want to bring to your attention an important factor of agriculture and that is the import situation. I do not see why the American farmer should not have his own American market and I believe we would have a better chance of expanding those lines of agriculture of which we are importing a tremendous

amount today, such as soy beans and sugar. I have been working on the butter situation for some time. There is talk of a parity price of 30¢ to 32¢ a pound but a tariff of 14¢ on butter does not make it possible for the American farmer to receive 30 or 32¢ a pound without competing with importations from foreign countries.

"I firmly believe in one thing, and that is that if we do not join in the same programs as the other people we cannot expect to receive the benefits of any future betterments."

MR. HILL (Texas): "All this arguing reminds me of a story. On a dark night a man who lived by the river climbed into his row boat and rowed frantically for the other shore. He rowed all night and couldn't understand why he didn't reach the other side. When day broke he found that the boat was still tied to the shore."

"I want to go back to the range where the people know they are getting higher prices for their commodities as compared with a couple of years ago. There, there is not the gloom that seems to prevail in this meeting. I want to read a telegram sent to Dolph Briscoe for whom I am substituting. This telegram is from several large cattle interests in Texas and reads as follows:

"We the cattle drought committees for Brewster, Presidio, Jeff Davis and Culbertson counties wish to express our appreciation to the Government for past buying program. Stop Press reports state we face a serious cattle shortage which we doubt. Stop We strongly protest any further legislative action looking towards a reduction of present tariff for importation of foreign cattle or meats. Stop Cattle prices must be maintained on present high level in order for cattle men to ever make a come-back. Stop Your influence will be appreciated."

"I want to make a motion as going on record as opposed to the lowering of the tariff on importation of foreign cattle".

This motion was seconded by Elmer Brock and another.

Several members requested that the motion be put in a better form and Mr. Hill re-stated the motion as follows:

MR. HILL (Texas): "I move that the tariff be not lowered on foreign importation of livestock and livestock products."

This motion was seconded and affirmed unanimously by the meeting.

MR. HORN (Nebraska): "I do not believe too much discussion has been based on the opinion of our own people back home. I have tried to get the opinion of the cattle men through the many Western states. They all are opposed to a processing tax today and it is also true the dairy industry will be opposed to such a tax. Shutting down as the factories did will bring about more employment and this destroys our market. What we need is some plan of increasing production to increase employment. I believe we are all in favor of a rigid continuation of the eradication of diseased cattle. I think this program alone will keep overproduction down to a great degree for some time. I want to straighten out the statement made by someone that in some instances

under the cattle buying program the price received was lower than such cattle brought in the open market. This is not so because the one selling the cattle was allowed to sell ~~them~~ on the open market if the price was higher.

"I understand that what the department wants is the opinion of the producer back home as concerns the present contemplated program and I want to say that my people are unalterably opposed to a processing tax."

MR. BROCK (Wyoming): "Two things I would like to call your attention to are, first, we have definitely proposed a program as outlined by our marketing committee. The report of the marketing committee was approved unanimously this morning and I think that more emphasis should be given to the resolution as read this morning. On the other hand we have a proposal presented to us by the Secretary of Agriculture about a proposed amendment to the Agricultural Adjustment Act and I believe it is our duty to place ourselves on record as either for it or against it. I wish that someone will make a motion to this effect and that a vote be made on roll call for the benefit of the Secretary."

MR. GUNN (Iowa): "The buying power of the farmer has been going down and down until the factory had to close up and that is the reason and the only reason that the factory closed down."

MR. ROBINSON (Pennsylvania): "I think we can all agree that anything that is good for the industry as a whole we are all in favor of. Our idea should be I believe not so much to raise the price of meats as to stabilize the price and this is the question we must tackle. We all talk so much about the position of the man back home and the processing tax. However, I believe if it was properly shown that it would be advantageous in meeting the results we desire they would be willing to have a reasonable tax."

MR. RUSSELL (California): "I say our problem is primarily marketing. I can very easily see where 10 months from now we may have a greater supply than is necessary to meet the demand and therefore will come a break. The most important thing is regulating the flow of our production to the market. I do not think we are over-produced now, but from here on our problem is to regulate the flow to meet the existing demand. I have worked for 5 years on orderly marketing. People connected with me have found that everyone to whom we have talked has definitely agreed to the proposal made by our marketing committee this morning for a national marketing agreement. I think that the marketing agreement is important more particularly now that we are in such a fine condition as livestock producers, and I am talking about cattle, hogs and sheep. If the proposal of the committee is carried out and negotiations entered into to bring it about the industry will be stabilized better than it ever was before. If we did not have a plan I might go along with the present program under consideration, but we do have a plan and I believe in it. My belief is based on the success it met with in the five states in which it was carried out despite the fluctuating market of the past 7 years. And I think that is the necessary step to stabilization. Under such a plan we could reduce when necessary or carry on an advertising campaign to increase demand and we would have averted any oversupply as occurred in our industry recently. I know that if we organize on a major scale the Government will back us up and tie in the outlaw and packer who undermined us in the territory where it was carried out. With these people tied in I know the thing will work and in 5 years or 10 years we will have a business we will want to hang onto."

MR. MOUNT (Tennessee): "It seems to me we have a combination in our country that goes into every phase of the cattle industry and we do it all on grass. We raise cattle that are every bit as good as that raised in the West but it brings 4¢ lower on the Eastern seaboard than you get for yours in Chicago. And we want to know why. We have a certain period in which to market our stock and everything goes along nicely until somebody runs in 30 carloads from Chicago and down goes the market price. The producers rushing in to sell before the price goes still lower causes the market to fall again. We believe that if there was some kind of a market agreement and we were allowed to go into an agreement with the cattle men from other sections of the country it would be very beneficial to all of us.

"In my country any time anyone talks about a processing tax he is met with refusal. Personally, however, I believe that some kind of a marketing agreement is the solution of our problem.

MR. WEATHERLY (Georgia): "All indications point to the fact that this body favors a program. What kind I do not know, but several of you have been frank enough to admit that you are not willing to accept the present outlined to this meeting. This I believe is due to lack of proper understanding by many of the men here. For this reason I make the following motion:"

"Moved that this committee favor a cattle-control program that will stabilize supplies at a point where consumer demand will return a fair price to the producer; but at present and until further enlightened we are opposed to the passage of the amendment which undertakes to stabilize grain products at the expense of processing and compensatory taxes on livestock and livestock products!"

THE CHAIRMAN: "Just at this time I would like to have you listen to a speaker who might throw some more light on the subject.

"Dr. Black, would you like to make a statement to this gathering?"

DR. BLACK (Director, Livestock and Feed Grains Division): "Mr. Petrie, you expressed very well the attitude of the administration at the beginning of this session this afternoon. This thing was heard here for the first time probably a month ago and the Bill was prepared and printed only about 10 days ago and the Administrator thought that this group should have first hand information before it seeped back through the press.

"The Bill has not been introduced into Congress and the Administration has made no commitments on this thing. The Administrator and Secretary have given general approval in principle to this sort of plan. They think the principle is sound. Whether the exact proposal will be worked out in a way that merits support I do not think anyone knows. This Bill, as is true with all Bills, is being changed every day and I do not know whether it is now in the form as read to you yesterday.

"I do not think anyone knows what type of program can be worked out under this legislation. This program is not mandatory, for the legislation is merely permissive. Nothing will be developed until it has met with the approval of the proper number of producers. Certainly there will be no

difference in policy in the development of a program for the whole livestock industry and other food industries, for certainly such a far-reaching program could not be put into effect without the approval of the people it affects.

MR. LESTER (Louisiana): "I offer an amendment to Mr. Weatherly's motion".

"Moved that the committee put itself on record as favoring a marketing agreement as the primary means of stabilizing the cattle industry and market and bettering the financial status of the cattle men. And further puts itself on record as willing to further consider the proposition of levying a processing tax on cattle and other livestock, its proceeds to be used for the reduction of corn and grain acreage, but until the exact provisions of the amendment proposed for that purpose are known and presented and the operation of same explained in detail, the committee prefers to refrain from any expression of either endorsement or rejection of the plan."

MR. GLASCOCK (Virginia): "I offer an amendment ot the amendment calling for further consideration of the subject by an appointed committee of five!"

The confused situation did not seem to meet with the approval of the group and Mr. Tod submitted the following substitute motion:

"Be it resolved that this committee does not favor any Processing Tax on cattle and cattle products which can be used for control of grain acreage!"

This resolution was seconded and it was asked to vote by roll-call in order to put each member on record:

G. J. Abbott (Nebraska) Yes
J. Blaine Shaum (Missouri) No
Thomas B. Glascock (Virginia) No
Elmer Brock (Wyoming) Yes
Marion R. Finley (Illinois) No
A. L. Berg (South Dakota) No
F. F. McArthur (Iowa) No
Hubbard Russell (California) Yes
R. M. Gunn (Iowa) No
Frank Delaney (Colorado) Yes
H. H. Parke (Illinois) No

Kenneth Hones (Wisconsin) Yes
Joe Robinson (Pennsylvania) No
Carl S. Horn (Nebraska) Yes
E. B. Weatherly (Georgia) No
C. L. Collins (Colorado) Yes
W. B. Mount (Tennessee) Yes
James Tod (Kansas) Yes
G. W. Rittenour (Ohio) No
C. L. Jamison (Oregon) Yes
A. J. Olson (Minnesota) Yes
Thomas A. Ross (Montana) Yes

Grover B. Hill (Texas) *

L. A. Chapin (New York) **

* Mr. Hill was out to answer a long distance telephone call and did not vote.

** Mr. Chapin declined to vote stating as his reason that he was not present in the session the day before when the Committee was addressed by Secretary Wallace.

(Resume of Voting)

12 in favor
10 against

MR. CHAPIN (New York): "Inasmuch as the dairy industry is so vitally interested in any program for the beef cattle industry I believe the dairy industry should receive more representation on the committee of 25 and its number should be increased."

THE CHAIRMAN: "I think, Mr. Chapin, that this is a matter that can be taken up another way. This committee was chosen some time ago and I think it is hardly in order at this time to discuss a change."

MR. C. L. JAMISON (Oregon): I understand that the Bill before the House of Representatives may not pass by one vote. I think it is incumbent on each man here to go to his Representative and Senator and urge the passage of this Bill in the House."

MR. WEATHERLY (Georgia): "I suggest that the Bill as amended by the legislative committee this morning be sent to the Chairman of the Committee in the House of Representatives with the names and addresses of the cattle committee".

This suggestion met the approval of the meeting.

MR. HONES (Wisconsin): "I wish to make the following motion:"

"I move to put ourselves on record in favor of a production control program in conjunction with a marketing agreement".

MR. DELANEY of Colorado pointed out to Mr. Hones that the marketing agreement would take care of this.

Dr. Black (Director, Livestock and Feed Grains Division): "The amendments now before Congress spell out certain powers which the Administration has always assumed that they have had. In some quarters these powers have been challenged and these amendments have been introduced to make clear what Congress meant when they passed the Agricultural Adjustment Act. If the amendment is defeated the possibility of any successful marketing agreement will be postponed and may not materialize as defeat will call for a complete change in the attitude of the Administration."

MR. HILL (Texas): "Mr. Russell's marketing agreement is a form of control program and we will make a mistake if we do not express ourselves as for production control."

MR. TOD (Kansas): "I believe Mr. Hones's motion would offer a loop hole to the Administration which might enable them to bring in a processing tax."

MR. HONES (Wisconsin): "My motion was in conjunction with a marketing agreement".

MR. Hones' motion was moved and seconded and unanimously affirmed.

Elmer Brock (Wyo.) offered a motion that Chairman Petrie be complimented for the fair and impartial manner in which the meeting had been

conducted. This motion was generally seconded, and on account of Chairman Petrie's reticence in putting the motion, President C. A. Collins of the American National Livestock Assn. submitted the motion to the group, who unanimously approved it.

THE CHAIRMAN: "The meeting is adjourned".

MEETING OF REPRESENTATIVES OF THE CATTLE INDUSTRY
ROOM 1746 - SOUTH BUILDING
U. S. DEPARTMENT OF AGRICULTURE
10:00 A.M. -- MARCH 5-6, 1935

ATTENDANCE:

Hon. Henry A. Wallace, Secretary of Agriculture.
Mr. Chester C. Davis, Administrator of Agricultural
Adjustment Administration.
Mr. Robert C. McChord, Assist Chief, Cattle & Sheep Section.
Mr. Earl Smith, President, Illinois Agricultural Association.
Mr. Maurice Douglas, Flatrock, Indiana.
Mr. M. R. Finley, Hoopeston, Illinois.
Mr. J. Blaine Shaum, Tarkio, Missouri.
Mr. W. B. Mount, Shouns, Tennessee.
Mr. K. W. Hones, Colfax, Wisconsin.
Mr. E. B. Weatherly, Cochran, Georgia.
Mr. J. N. Robinson, Mercer, Pennsylvania.
Mr. Willard Edwards, Humboldt, Iowa.
Mr. F. F. McArthur, Oakland, Iowa.
Mr. Thomas B. Glascock, Upperville, Virginia.
Mr. Carl H. Horn, Hay Springs, Nebraska.
Mr. Frank Delaney, Glenwood Springs, Colorado.
Mr. H. H. Parke, Genoa, Illinois.
Mr. A. J. Olson, Renville, Minnesota.
Mr. G. W. Rittenour, Piketon, Ohio.
Mr. J. Elmer Brock, Kaycee, Wyoming.
Mr. C. J. Abbott, Hyannis, Nebraska.
Mr. Hubbard Russell, Los Angeles, California.
Mr. Thomas A. Ross, Chinook, Montana.
Mr. R. M. Gunn, Buckingham, Iowa.
Mr. C. L. Jamison, Klamath Falls, Oregon.

MEETING CALLED TO ORDER

MR. McCHORD: I want to thank you, gentlemen, for coming back here for this meeting. It was rather unfortunate the way the other meeting turned out; the Secretary, Mr. Davis, Mr. Petrie, and Dr. Black were not aware of the feeling that apparently developed after the meeting was over. The purpose of calling you back was to clear up this misunderstanding and to enlighten you more on the proposed amendment.

The misunderstanding was caused by lack of information and no one condemned the action that was taken by this committee, because I must confess that the information received was very inadequate for the proposition that you had before you. I am rather an optimist and I feel that we will come to some understanding in working over this thing, for we realize that this cattle problem or livestock problem is your problem. You have a certain responsibility and I feel that some good will come out of bringing you back. It was unfortunate from the standpoint of you business men in that it takes up your time and you can't afford, some of you, to be away from your business, and I want you to know that we appreciate your being here. I am sorry that Dr. Black and Mr. Petrie cannot be here, but that is something that can't be helped. Nevertheless, we want to lay those things before you, and I understand that there has been a suggestion that you have an executive meeting (a closed session) today; and I would like to have some expression from any of you on that particular matter.

MR. RUSSELL: For the information of those members of the committee who were absent and not here Saturday evening, I wish to report that those few who were here, I think about 10 or 12, thought that it would be a good idea to get together for a little dinner party, just for good fellowship and nothing else and we had this dinner over at the Raleigh Hotel, and I suggested that it would be a very fine thing to perpetuate this Committee of 25 not only for the purpose of the personal contact that we would all enjoy in the future, but also for the purpose of hanging on to what might be a nucleus for a future organization, representing the cattle interests of the entire United States. I thought perhaps that the contacts that one would have with the other would be very beneficial. In other words, it was for social as well as for economic reasons that the idea came to my mind.

Now, Colonel Weatherly was nominated to be the President of the so-called organization and was duly elected. We feel very proud of Mr. Weatherly and think that he would make a dandy man to carry the thing on to be of value to the cattle interests of the whole nation, and I think that the idea is all right and sound. Really, I suppose the way it should work, and the way it would work, would be that this committee would be continued if and when there were any cattle problems that the Department of Agriculture wished to submit to the country. That would be the way I think it should work. In other words, these men will work on this committee and will certainly be better informed and more able, therefore, to be of value to the Department of Agriculture in the future as well as at present.

I think it would be in order now to make the motion, and I will make the motion that the election of Colonel Weatherly as President of the Committee of 25 be confirmed.

MR. McCHORD: Do I hear a second to the motion?

MR. McARTHUR: I second the motion.

MR. McCHORD: You have heard the motion. Are there any questions or any discussion? All in favor of that motion make it known by the usual sign.

(The motion was carried.)

MR. McCHORD: All right, Colonel Weatherly.

(Applause.)

COLONEL WEATHERLY: Good morning. My friends, I can't get over the fact that the members of this committee have responded to calls on three different occasions, knowing full well on every occasion that they would have to make a sacrifice. And I am particularly impressed with what has happened since we met last week, your coming from all sections of the United States, some from the far West with their troubles, some from the South with their troubles, some from the East and North with their troubles, over here to try to seek a coordinated benefit from whatever program or likely program may be promulgated. It reminds me of the time of the Three Wise Men, all from different sections of the country, different religions, seeking a final destination, the Star of Bethlehem, there to find new life, a new religion, that might give them more permanent satisfaction. It took about 18 centuries for our new democracy to develop from that time, a democracy necessarily founded on the principle of free rights for all and special privileges for none. We started this country under that program in the form of the Constitution. I remember and I expect that you remember the warning that was given us at the time that we adopted that Constitution, to wit, that we were chartering a new ship, going on an unknown sea, with this new idea of democracy, and whether we sailed safely or not depended on what became of the agrarian life of this country. Thomas Jefferson, I think the ablest of all American statesmen, gave the warning at that time that if there was not a fair and equitable adjustment between the agrarian life of this country and industrial life that democracy could not succeed. What happened? The planter of the South with his greed for more land, for more luxury, brought in slaves by the thousands and bought more land. At the time of the Civil War thirty per cent of the land in the South was owned by the big planter. But he didn't see far enough ahead. His sons were sent either to Europe to be educated or to Harvard as soon as it was founded in the East. Those sons -- it was the education that they got that formed the nucleus of the brains for the establishment of Eastern industry. That industry has grown as you know to dangerous and menacing proportions, almost to the extent of wrecking this country.

Not that you and I would not do the same thing, but as Jefferson pointed out, the life of the industrialists is a dangerous life for democracy because the making of money resulting in the accumulation of power is entirely contrary to the doctrine of democracy. Why? When a man gets money he gets power and when he gets power, what is his next

anxiety? Influence -- influence of Congress and of the State legislatures for legislation that protects him and his class. I condemn the people of my section just as much as I do the industrialists for doing the same thing. The tenant laws in my part of the country are all in favor of the landlord. The laws of the industrial East particularly with reference to tariff favor industry.

Now, gentlemen, I don't condemn the pursuit of wealth. I don't think any of us do, but it is the consequence of wealth that may not only wreck industry itself but the nation as a whole.

You want to know what that has to do with what we are doing here. Well, it has this much to do with it. Until the time comes in this country when there is some sort of a decent profit to be made out of agriculture, you are losing your best men, your best youth from the farms. They are traveling to the centers of industry for the purpose of doing the same thing that they are doing in commercial centers because there is nothing at home worth while. And for the sake of perpetuating what I think should be tried at least, a democracy, I know - I know that agriculture has got to prosper.

I don't know why these gentlemen selected me except maybe that down South we have had lots of experience in reconstruction. But it may be wise to get someone from a place thoroughly detached from the past history of the range man and the feeder man because he knows nothing about those past fights. He will probably see when the range man is wrong and when the feeder man is wrong more so than if he were a member of either group. But, gentlemen, I wouldn't under any circumstances accept this place except that I can see a most vital need for some sort of a militant, strong, influential and powerful livestock organization. I wouldn't fool with them a minute. I have reached the age, about 50, where I don't want to be worrying about something that there is not a thing in the world to, but it does occur to me that with the nucleus here of 25 cattlemen representing as I understand about 25 federated organizations, we could if we will build up one of the strongest, one of the most influential agricultural organizations in America. I wouldn't fool with it a minute if I thought it was going to get politics into it, and I think a good way to keep politics out of it is to keep the man at the head of it from drawing any salary. I want a salary, but I want to name my own salary, and I now proclaim it to be a dollar a year. But I don't want to go down home and worry and write and plan and sweat unless you folks mean business, and I want to know whether you mean business before I leave here.

I will give you my idea of what I think ought to be done. I think we ought to divide up these United States into equitable zones, and let the committeemen here in each of those zones decide who shall be the representative from that zone. There may be a necessity for changes, and let us start out with this understanding: If it is necessary for you or I to get out of the way and put a better man in, let's do it. Mr. Davis authorizes me to say that if we will organize this thing along that line, the Department will cooperate with us to the extent of designating these persons that we nominate in these zones as

consultants, which will harmonize our organization with the Department here, but with the understanding that each zone is in close and constant touch with the cattle interests.

Now, I think every man that is designated as head of the particular zone in which he resides should be responsible for the necessary revenue in running this thing, but I don't think but that a small percent of that revenue should be sent to any national center. To illustrate, out in Mr. Russell's section, whatever man is selected from that zone, that he get in touch with the chairman in each state in his zone and that that chairman get in touch with the cattle and livestock organizations in that state and we will provide some means by which these organizations contribute to this regional consultant, and that he retain, let us say, 75 per cent of the contributions for the purpose of handling the problems in his region. If 25 per cent is too much for the national use, then we will cut it down to 10 per cent, but I am just illustrating. Then we ought to have a national treasury and that ought to be built up by starting slowly, and whenever a national consultant comes to Washington or the President comes to Washington, let him pay his own expense and render his expense account as we do now. That is in case, of course, we are not called in here by the Triple A.

I can see out of that sort of an organization, if we are fair with ourselves and fair with each other, a tremendous, a most effective outfit. That has been the trouble with us now, we are all disjointed, disorganized, and prejudicial. The South doesn't want the West to get too much and the West doesn't want the Middle West to get too much and the East, etc., etc. Here it seems that we have the opportunity to iron out any of those wrinkles between the feeder and the ranger and between the Southerner and the feeder, and the Southerner and the Easterner, as to major problems. Not that this committee ought to have anything to do with local matters; we will let the regional people take care of those things. But in the event that something comes up like the western grazing problem where we are not primarily concerned only with the range states - now, you range fellows, I don't know of anybody that needs this thing like you do for this reason that down my way and up through the East without knowing a thing in the world about it, they are prejudiced. They are prejudiced for this reason: They say, when you talk about a cattle reduction program, why not take out of use those lands out there? Now, that would be wrong, but I wouldn't know that it would be wrong until I came up here. I didn't know your system of taxation out there. Elmer Brock explained to me something that was just dumbfounding. There are not 2 per cent of my folks that know about it. We think that the Government ought to stop that - that is, those that don't know anything about it.

Now, if you are in dead earnest and are willing to stay here until we perfect this organization, I am willing to go along with you and do all that I can do to go along with you and to reconcile the differences between the sections, but I don't want you to do this, and if I thought you were going to do this, I wouldn't stay with it a second. If you see me talking to somebody in the range section and putting my arm around them, don't you feed fellows say, "He is sold out to those folks," and

if you see me eating dinner with Mr. McArthur, don't say, "He is sold out to McArthur." Come to me because we can't do anything about it unless we go into it whole heartedly with the purpose of cooperating and coordinating the cattle interests of this country so that all of us will get where we may be recognized and amount to something, not only for ourselves personally, but for the industry as a whole.

I know you don't want to hear anything more from me. Let me tell you something about the program for today. Mr. Earl Smith presented to the 10 or 12 of us who were left here this new bill, and he presents it admirably. It is arranged to have Mr. Earl Smith and Mr. Davis in here before noon to discuss this new bill and explain it, and then Mr. Wallace will be here at 12:15 to go more fully into the matter and explain what might have been a wrong impression that was gotten from his statement the other day, to wit, that Chester Davis might not be as well sold on this thing as he was. At the end of Mr. Wallace's talk, we will adjourn for dinner and come back here I would say at 3 o'clock and see whether we are going to take up the organization feature or whether we are going to discuss the proposed bill.

As I understand it, there is no disposition on the part of anybody, and I know not on my part, to ask for any vote or any decision at all on this new bill. If it comes, it will have to come as a matter of volition on the part of the committee. If you want to work on it and study over it and reach some conclusion before you leave here, all well and good. There is one thing that I want to suggest to you after you have heard these gentlemen talk, when we meet back here at 3 o'clock.

Mr. McChord, What time is it?

MR. McCHORD: It is ten minutes to eleven o'clock.

COLONEL WEATHERLY: Suppose you see whether Mr. Davis and Mr. Smith can meet with us now. I want to ask this group a question. Mr. Hones spoke to me last night and said that there were a group of dairy-men here from his state and they would like to sit on the explanation of this bill on the part of Mr. Davis and the other gentleman. They would not ask the privilege of the floor, but only asked that they may take advantage of this opportunity. If there is no objection, we will authorize Mr. Hones to invite them in. Do I hear any objection?

(No objection.)

MR. HONES: Thank you, gentlemen, very kindly. I will proceed to notify the boys to come in.

COLONEL WEATHERLY: While Mr. Davis is waiting, I am going to ask him to explain this to you. When I talked to him yesterday about our proposed organization, it was just fortunate that it fitted right in with his program for more reasons than one. In the first place, this is the last time that they have authority to invite us up here as a committee. The legal department has ruled that there will be no money available for committees any more, but he can designate one man out of the region as a

consultant and pay the consultant's expenses and since I heard that from him, it seems that almost crystallizes the necessity of organization. We can work things hand in hand as an organization working with the Department.

QUESTION: Will the number of consultants be limited?

COLONEL WEATHERLY: That is in our discretion. Of course we can't make it unreasonable.

QUESTION: Do you think that 25 as it is now constituted is unreasonable?

COLONEL WEATHERLY: Yes, they think that and I think it too. Somebody suggested - they said it was all out of line and somebody suggested five and I suggested eleven. Maybe eleven is more nearly the number that should be chosen than five, but this thing that was made up by the Economics Department has a suggestion of eight. Let us understand what we are confronted with. We have to be fair coming and going. We can't take all this group of consultants and put them out in the middle states because they have a preponderance of cattle; neither can we give the people in the south all the representation. We have to have two things in mind, where the cattle are situated, and where the territory lies, and we want to be reasonable enough to compromise that difference and get an equitable distribution.

Mr. Davis is here, and he needs no introduction to this group.

(Applause.)

MR. DAVIS: Is this the battle committee or the cattle committee?

COLONEL WEATHERLY: A combination, Mr. Davis.

MR. DAVIS: I see. I wanted to find out before I started in. Now when this committee was here before, everybody I think, including the members of the committee, were so busy that we did not have time to sit down and think things through and talk things through as thoroughly and as frankly as we should have, and it didn't come to my attention, and I am sure that it didn't come to the Secretary's attention until after a number of the members of the Committee had gone home at the conclusion of the meeting, that a complete meeting of minds and an understanding of what was in our minds and what was in the minds of a number of the farm organization people who had been studying this feed grain problem, had not been reached. That is, we have not had a complete meeting of minds. It became apparent Saturday when some of the members of the committee who were still in town, in discussing the proposals which had been very briefly presented before you with Earl Smith and others here, made it evident that they had not seen the side of the picture that was in our minds, and growing out of the discussion with some of the men still in the city, the recommendation was made that the committee be called back with the idea of taking a more leisurely view of this proposition which has been openly and rather steadily discussed as well as it could be

discussed in these "catch as catch can" meetings that were held around here and out in the country since last summer. Of course what I am talking about is a suggestion for a modification of the processing tax provisions in the existing Act so as to leave greater flexibility before the Administration and in the hands of the Administration in trying to deal with the feed grain and livestock problem, and I also learned that there had been some misunderstanding as to the position of the Secretary of Agriculture and my position on this question.

I was in here when the Secretary dropped the little remark which lead to that misunderstanding, and sometime today Henry and I both want to stand before the committee and try to make it clear just exactly how we feel about it. I think the thing grew out of my insistence when this thing first came up as a result of our groping for some practical method of presenting these big up and down things in livestock numbers; I have felt and I know the Secretary agrees with me that in any program we undertake, and particularly a program which on its face might be subject to misunderstanding and misrepresentation, it is necessary to have a complete discussion and a complete meeting of minds with all of the groups that are affected and I have always cautioned against trying to move ahead of the great mass of people out in the country on these things, and I have cautioned against moving ahead on an amendment not only along this line but any line until the people out in the country who after all make up our minds on economic programs, the people out in the country have had a chance to discuss it thoroughly and completely. That may have made me seem more cautious than other people. I don't think there is any real difference of opinion and there is no question in my mind as to the fundamental merits of the provision to relax restrictions on processing tax measures. You all know and it has been repeatedly demonstrated so many times that there is no ground for anybody to doubt that we do not move ahead with the program here until we have satisfied ourselves that it has the support of the classes of producers who are affected, because we know that you can't impose a program from Washington unless you have the cooperation of the producers out in the country.

Now, a little background, and I don't know how much of this is repetition.

COLONEL WEATHERLY: We should be glad to have it.

MR. DAVIS: When we tackled the corn-hog program with the corn-hog committee, there was a good deal of debate and discussion as to whether you could make a livestock allotment principle stand up and work, and when we adopted the livestock allotment plan as set forth in the corn-hog program, it was because we realized the desperate necessity and the producers realized the desperate necessity of bringing about a sharp reduction in the number of hogs. Earl Smith at that time as a member of that committee, and a man who has thought about these things for a long, long time, honestly did not believe that the livestock allotment, the corn-hog allotment plan could work as a permanent thing. When the allotment program was adopted, however, he swung in with the rest and did valiant service in putting it over and making it effective, always with this question in the back of his mind that while an allot-

ment might do to make a sudden or a quick emergency adjustment, when you come to carrying out a long-time program to bring livestock numbers down to a satisfactory level, some other simpler way that does not attempt to freeze the individual's productive effort as an allotment plan tends to do, must be found. I use him as an illustration although a number of other people who went through that corn-hog program were thinking along similar lines and we were thinking along that line of how can we find a simplified and unified plan of keeping the level of livestock numbers down without the necessity of carrying on a large number of individual allotment programs? That proposition was studied here independently without saying anything of it on the outside to see what the possibilities were in that direction. At the same time I say that people on the outside were studying it and suggestions first came to us from the outside I think last July, and during the summer other suggestions came in. The suggestions have been to protect livestock numbers against undue expansion by a method that is free from the difficulties inherent in livestock allotments.

Now the present law, I think it has been made clear but I want to restate it, the present law provides that you cannot finance a program of any sort from processing taxes unless you have reduction contracts with individual producers and benefit payments on those contracts so the producers of the taxed commodity in effect. That means that even if the producers of cattle and hogs and other classes of marketed livestock wanted to get together in a unified program to hold their supply of feed level, realizing the effect that that will have on ironing out livestock numbers, they couldn't do it under the existing law except that at the same time they had reduction contracts and benefit payments provided, because you can't have the taxes now, the law reads, without such a contract and such a payment and it means that even if producers to meet an emergency situation in any one year would like to use a moderate processing tax to raise a fund for the removal of a surplus that appears to be depressing the market, they can't use the processing tax to do that unless at the same time they have reduction contracts and benefit payments provided for in order to collect the tax.

Now, when you men were here before an amendment which would free the law from its present restrictions placed upon the Administration, had not been drafted. There had been several attempts made to express the idea in drafted form, but it was not until Friday afternoon about 4 o'clock, I should say, that I received a copy which was in a form that we could submit and which I sent up by special messenger to Marvin Jones, the Chairman of the House Committee, immediately. Now, I imagine that copies of that draft have been circulated here, haven't they? They are before the people?

COLONEL WEATHERLY: Yes.

MR. DAVIS: What it would do, it would provide so far as feed grains and livestock go, the restriction that requires that a benefit payment and a reduction contract must be in effect in order to have a processing tax on any commodity would be lifted. It would leave the Department with the cooperation of the producers free to develop a

program which might be along any one of three lines or a combination of any of those lines or a combination of all three. The Department with the cooperation of the producers, the hog men, the dairy men, the cattle men, might work out a program whereby moderate processing taxes could be pooled and the money used to control the volume and to a certain extent the price of feed available, realizing the effect that would have on livestock numbers. That is one thing that could be done. Another, it would be possible to adopt a program with respect to any one of these feed grain or livestock basic commodities, by which a moderate processing tax could be used to raise a fund for the removal of surplus either in domestic use or in export and do that without the necessity of having a benefit payment and reduction contract in effect at that time. Third, it would be possible to go ahead just as we do now with an adjustment program on a specific commodity and a rental or benefit payment on that commodity, or it might be a combination of any two or more of these proposals.

I know that Colonel Weatherly and I are in complete agreement on this point, because I have been saying it ever since this has been first discussed and nobody disagrees with it so far as I know, that anyone of these moves that are made by the Agricultural Adjustment Administration has to be made with the complete understanding and at least with the support of a considerable majority of the producers affected; otherwise they just won't continue and they won't work. If this meeting - and I want to say that we appreciate immensely the return to Washington of those who had left - if this meeting can result in a clearer understanding of what we and other people who have been studying these problems and making suggestions had in mind, and incidentally clear up the idea, if anybody among you has it in his mind, that Henry Wallace and I are seeing this from different angles, then from our standpoint it will be very much worth while.

Now, I want to make a little bit of a statement here about Earl Smith, Colonel Weatherly, if I may.

COLONEL WEATHERLY: We shall be glad to hear it.

MR. DAVIS: We drafted Earl Smith, who is head of the Illinois Agricultural Association, one of the strongest and most active of farm organizations of general character in the United States, to work with us on the livestock problem when the hog program was being developed. Earl Smith is a cattle feeder, a farmer, and a hog grower and feeder and he is not in this picture from the standpoint of the corn belt. Now, I want to say from my own knowledge of Earl Smith, he is able to think nationally. He may be a little bit more familiar with the problems of the corn belt than he is with some of the problems of other parts of the country, but that is natural because we are always able to see better from our own door yard, but when he talks to you about this proposition, it is talk which proceeds from a great deal of study and an earnest desire to try to help all classes of livestock producers to find some simple way to get out of these livestock cycles which have been lifting us up and setting us down for so long.

Now, I would like to participate in the discussion if the committee will permit by just letting me sit in the corner and listen. You may want to ask some questions; and in closing this general talk I want to thank the members of the committee who stayed and those who returned and I ask for their open mind in considering this and any other matters before them. We don't want the cattle men and the hog men and the dairy men at each other's throats; if we can't sit around the table and forge a program which will be good for all of us, I think we are not living up to the opportunities that are ahead of us and we are not showing the capacity that men ought to have who represent or are entrusted with the temporary administrative responsibilities here, the producers and their problems.

(Applause.)

COLONEL WEATHERLY: Mr. Davis, before you finish, won't you please tell the crowd with reference to our talk yesterday with regard to the proposed organization of this group?

MR. DAVIS: What I suggested yesterday was that after all what we want is a close organization of producers from different regions in the development of any program, and it will be more of a nominal than an actual change, because there isn't any reason legally or otherwise why we can't have regional consultants or regional advisers and call them into conference to help consider these problems that come up concerning any branch of the farming industry, and I stress the regional aspect because as I told you, we are now holding conferences in the four sections of the United States to discuss with the experiment stations which have studied farm management, practice, and farm problems by regions over the country, we are now holding meetings with them with the possibility of getting regional reactions and regional modifications of our general adjustment programs. When we moved ahead, it had to be a national program quickly applied. Now we are studying with the people out in the states whether the states which have fairly similar agricultural problems can't be grouped into regions so that any national program will have a specific regional slant and any program that is adopted can be modified so as to be in line with what is sound farm and range management for the particular region in the United States. I think that is what you had in mind for me to discuss, Mr. Chairman.

COLONEL WEATHERLY: Yes. I wanted you to know that the proposed plan of organization did not emanate from the Department. I discussed it with Mr. Davis and it seemed to fit into his plan.. This was not adopted from the Department. It was our own plan submitted, but possibly modified.

Mr. Smith, we will be glad to hear from you now. Before Mr. Smith starts, Mr. McChord says there are a few members of the corn-hog group outside and they would like to hear the explanation of this plan. If there is no objection, we will let them come in. Are there any objections?

(No objections.)

MR. HONES: Mr. Chairman, I see that this new amendment, from what I have been able to get from it, is seriously going to affect or have an important part in the dairy section of the United States, since it takes into consideration taxing the industry, and in glancing around here this morning, I don't see any representative from the dairy section, and I am just wondering if it wouldn't be proper for us to have Mr. Lauterbach, Chief of the Dairy Section, or Dr. Gaumnitz or Mr. Reed or some of those folks in here with us so that we can have a correlation. If there is not a correlation between the cattle and the dairy group, in other words if we don't let the dairy fellows, the fellows who milk the cows, get the full intent of this thing and they fly off in a temper, they can stir up an awful lot of noise. They have done it before.

COLONEL WEATHERLY: I am sure that we will be glad to have the Chief of the Dairy Section and any other members of that Department here.

MR. HONES: I would like to see at least Mr. Lauterbach and Dr. Gaumnitz here, if possible.

COLONEL WEATHERLY: Can you have them called right away?

MR. MCCHORD: Certainly.

COLONEL WEATHERLY: All right, Mr. Smith.

MR. SMITH: Mr. Chairman, Gentlemen: I of course appreciate the privilege and the opportunity of talking with you folks. I don't know if I can tell you anything that you don't already know, but before I take up the immediate subject matter before us, I hope I may be allowed just to say a word not in defense of my attitude and position, but rather that you may understand, and I hope will clearly accept the statement and definitely accept it, that there has been no effort, past or present, to superimpose upon any group of farm people, any program to adjust grain or to adjust livestock in connection with this proposed amendment. The effort has been entirely directed, is yet directed, and I am sure for many weeks and months will be directed only toward getting a law into shape in order that anyone of a number of things might be accomplished. You first have to have a law authorizing the permissive powers of action before you can have action with Governmental assistance. There has never been the thought of asking any group of pork producers, cattle producers, or dairy producers to accept or approve any specific plan of action, but rather, I again repeat, to get a law into shape giving wider powers of discretion to administrative officials so that as conditions develop and as facts appear we will be in a position as livestock and grain producers to do what might appear to be the most simple, practical, and effective thing to stabilize all groups of this industry. That is the only thing that has been discussed or intended.

My connection over a long period of years in association with Henry Wallace and Chester Davis has been such that it never even occurred to me that any real thinking farmer of the United States would ever have the slightest skepticism as to their taking advantage of authority or power in attempting to superimpose a plan of operation upon anybody. I said to a group of men the other day that were I to offer any criticism of Henry Wallace, it would be that he was certainly too ultra-careful, too conscientious, and yes, I might say even too religious, in that he wouldn't do anything until everybody that could be approached was in agreement, and therefore that he might let some psychological moments pass by.

Now, the reason for my being here this morning is that I was invited to be here. Mr. Davis has properly stated that when the corn-hog activities were first considered in the summer of 1933 the Secretary of Agriculture telephoned into each of the eleven North Central States, I might term them, in the Corn Belt, and asked the farmers to assemble by states -- the actual bona-fide producers of corn and hogs -- in state meetings. The only thing he did was to say that Illinois, Iowa, and each of those states were to be entitled in each of their state meetings to the selection of so many men to represent them, the number of men by states being determined by the proportionate share of grain and pork produced in those states. In my state, Illinois, we had a public mass meeting of farmers to which some 800 came, and in that meeting there were eleven men, the number allotted to Illinois, selected to represent the state. In Iowa what was the number, Mr. Gunn?

MR. GUNN: I believe it was 25.

MR. SMITH: I thought it was 21.

MR. GUNN: Maybe it was.

MR. SMITH: We assembled, after having the state committees set up, in Des Moines, Iowa, as committees, and organized what was known as the Committee of 25 which represented each of those states and was again set up as we had delegates from those states. Those 25 men gathered and selected me as their chairman and for weeks and months we studied and worked with the economists and lawyers and one another to see what could be done to raise corn-hog prices. You know how desperate the conditions were in the summer of 1933; there is no need for my going back into that; it is unpleasant to even think of.

Mr. Davis stated to you, and stated correctly, that I never believed throughout those discussions that a corn-hog allotment program of production could be successful. I thought then, and I yet think, as we now know, that as an emergency effort the allotment plans could be and were highly successful in curtailing production and raising prices. Time does not permit me, and it is not of interest to you, to point out some of the reasons why I had that attitude, and I thought, for instance, that the corn-hog allotment program, which was very much easier to work out than an allotment program on cattle, could not be permanently successful, so I am not going into that, but I think that I can convince any up-to-the-minute producer of livestock that the allotment program could not be permanently successful in hogs.

Of course the thing before us here is not to discuss the merits or the demerits of the hog allotment plan, but I will say this, just as a concrete example: We started out with a hog allotment program, carrying out to the letter all the regulations in the allotment and every contract farmer living up to the letter of every regulation in his contract. Nevertheless we would have had just as many pounds of pork on the markets with 25 per cent less hogs than we normally have if the farmers had just increased their average weight 25 per cent. We would have had as many pounds of pork and still would have had the surplus. But what stopped that? First, there was a pretty general understanding that every fellow had to do his part if we were going to raise prices. The other thing was the fact that corn got scarce pretty quick; it commenced to get high and the ratio of corn to hogs wasn't very pleasant, and it had a tendency to result in a great reduction in hogs and much better prices.

To the best of my strength and ability and, influence that I have in my state or any other place, one hundred per cent support has been given to that program regardless of any reservation that I had, and if we can't do anything else, it is going to continue to be given. When we have the day of court in Washington, when our friends selected to run this tremendous program, and the farmers, the lawyers, the economists, and everybody have been heard, somebody has to reach a decision. Whatever the program is, I am going to support it and not be one to go out and raise hell, because what the farmers need is correlation of thought and action. I am not one who attacks the processors

and distributors. I will look the farmer in the face and say, "Don't blame the processors and distributors. You would do the same things they are doing if you had the opportunity." The fellow to blame is the American farmer who has the opportunity to control what he produces and who refused to control.

We have discussed it earnestly and have talked many times with farm groups over a period of a year as to what we could do as we look forward to stabilizing the livestock and grain industry. I think, gentlemen, that it was just about a year ago that I was called on as emergency speaker to substitute for a Government official at the annual meeting of the Chicago Producers Association, then a cooperative institution. I had no prepared speech; I couldn't have had one because this was at 10 o'clock in the morning and I was to speak at 1:30 o'clock. The Government official was supposed to have come in at nine in the morning and had not arrived. On the way over in a taxicab this occurred to me: Here is a group of livestock people from the West and Southwest, why not think out loud with them? So it was there, I think it was last March, that we spoke for about an hour on the interrelation of all phases of the livestock industry and the coarse grain or feed grain producing industry and the need for us as a group to get our house in order, and we offered them the suggestions which are embodied in this amendment.

In the summer of last year there was some discussion in general conferences as we happened to be in Washington as to where we would move to accomplish the thing that must be done. We have seen the sectional viewpoints, the sectionalism and the provincialism and the suspicion with which certain groups meet suggestions, but I have been one who throughout the years has always believed, and I have had every reason to believe, that all you have to do if you are right is to get the opposing group into a room and if they are men who are honest, open-minded, and trying to solve a problem, the vast majority of them will get together on the basis of facts. We went into the meeting of the American Farm Bureau Federation in December in Nashville. There were no cards under the table. Everything was on the top. I was asked to preside, and in the session in which the Agricultural Adjustment Act was under consideration it was my privilege to introduce Mr. Davis to the group. He didn't say one word as I remember about what we now have under consideration, but talked generally of the problem he had, but in the open forum it was my privilege to discuss the amendment that we have before us here. I was told that it would be impossible to get the delegates from 38 states, representing all farm activities to agree on any matter. After full discussion, prominent dairymen from New England, cattlemen from the West, men from the Corn Belt, and gentlemen from the South, without a single exception voted in support of what we are talking of this morning.

I came later to the National Agricultural Conference, which is just a flexible sort of set-up we have; it isn't a corporation; there are no dues; we have five men from the American Farm Bureau Federation, five from the National Grange, five from the National Cooperative Council, and from here in Washington, the Farm Editor's Association, and the Farmers

National Grain Association, and any other group of agriculture that wants to be a member, if they qualify as a national group they can be members of that conference. That is a group where the Grange explains to the farm groups in what they are interested.

MR. BROCK: I want to say for the information of these people that the two national livestock organizations, the National Wool Growers' and the National Livestock Association, were refused membership in that organization.

MR. SMITH: I don't know one thing about that; I never heard of it.

MR. BROCK: That is true.

MR. SMITH: I am sure of this that if there is any national group of cooperatives in agriculture that make application of membership in that conference, so long as I am a member of that conference I will vote that they shall come in. That is my view point and attitude and every influence that can be so used, will be used.

In the discussion of that conference in January, I well remember that representative dairymen and representative livestock men suggested to the conference that we support an amendment to the Agricultural Adjustment Act that would remove this requirement for benefit payments, which means allotments as well as benefit payments, so that a tax might be imposed for the exclusive purpose of financing exports. I well remember the American Farm Bureau Federation recommended in line with our resolution a provision wherein the requirement would be limited and the spread of the tax made and the revenue used to adjust grain. After two days' discussion, here is where we arrived: We had all agreed in joining forces before Congress in asking for the removal of the provision for payment of the benefit payment if and when an allotment was made, and we didn't take on in the law any tie-up or further restriction as to whether the revenue had to be used to finance exports or whether it had to be used to finance grain adjustments, but we said we will join the powers and ask for both; we will ask for just the permissive powers, nothing else. Certainly there has been no attempt, and I hope you will accept this statement for just what it is worth and it is worth 100 percent, there has been no attempt so far as I know by any of the farm organizations to superimpose on anybody any plan of operation.

Just to show you my own view point and attitude, and I guess I am not speaking out of school, Mr. Davis, when you asked me to serve on this cattle committee I knew well what my answer to you was; that I was already on too many boards and committees; that I wanted to help in every way I could, but I would much prefer that prominent cattlemen of my state be selected by Mr. Davis to represent the cattlemen of Illinois. Is that correct, Mr. Davis?

MR. DAVIS: That's right.

MR. SMITH: Mr. Davis afterwards asked me about a number of men that he had under consideration and as proof of that statement I submit that a number of the gentlemen are here this morning: Mr. Finley, a prominent and successful producer and feeder of livestock. So far as I know he has no official connection with any farm group or cooperative institution. He is just a very outstanding, successful producer and feeder of livestock in the main producing and feeding section of Illinois. I see Henry Parke, not only a livestock farmer, but a large cattle producer and feeder, selected by the livestock farmers of Illinois as president of their own commission firm on the Chicago market. I have never talked to either one of these gentlemen, and I want them to speak up if I am not telling the truth, to try to influence them in any way in the least detail as to what to say in this meeting. I want to remove from your minds, if I can, any suspicion that may exist as to my attitude because if we are going to look at this squarely, we must look fairly, or we won't reach any conclusion.

To get to the real problem. I know there exists a rather deep-seated feeling among cattlemen, among hog producers, and among others - dairymen, if you please -- that if there was a way to have revenue to finance on a two-price system the exports of surpluses, that would solve the problem. I am sure there are men in this room who feel that way. In other words, it is the old McNary-Haugen plan, which none supported more than I when it was before us in 1926 and thereafter, and I still believe in it if and when it could be made to operate. I also know there are many farmers and eminent authorities who very seriously question at least now and for the immediate period ahead, that much can be accomplished regardless of the amount of revenue available in the way of removing surplus dairy products and other products in export and maintain a balanced domestic price level. I don't know which one is correct. I am not going to argue either side of the question. I think Henry Wallace knows more on one side of the question than I will ever know, and I know others on the other side of the fence from Henry's view point and I am not going to be driven into a position, knowing less than either, of saying which is right. We are never going to know before we get a law in shape and go to it and try it and find out what is the truth. That is the basic purpose of this amendment, to provide the revenue.

When I was in Washington week before last, that was the first time I ever say on paper any suggestion as to how to do it in the way of an amendment. We thought it would be very simple just to remove the requirement for making benefit payments, but when you got to doing it, here is what happened. Some gentlemen from the South, and rightly so, said, "My God, what you fellows are trying to do is to tax cotton and take the money out in the Corn Belt to make benefit payments." Of course we didn't have that in mind, but I don't blame them for being suspicious. And then the tobacco men said, "What do you mean? That would mean taking the requirements off and just spreading all this stuff." So we had to take tobacco out. Next we had to draw an amendment for just livestock and grain, those two interrelated subjects. That presented complications. I left here Wednesday night and went back to my home state and was there three days and delivered three speeches, and got choked up with a cold. We knew what you men

were to be called in for -- just to think out loud to see if we couldn't organize our forces behind what ought to be done. I returned and found that there were a lot of misgivings, suspicions, misunderstandings and lack of understanding, and the matter was held in abeyance. I think that is the smart thing to do whenever there is lack of understanding. It was my privilege last Saturday to sit in and talk with some of the gentlemen who were still in town. I became thoroughly convinced that there was misunderstanding as to the attitude of Mr. Davis and Secretary Wallace. Some little remark was dropped which led some to believe that they were not in accord as to the fundamental economic soundness of this proposal. All I can say is that I have the highest regard for both of them and I have talked to them many time over a period of months and if there is any question as to their fairness and right, I have never even been able to suspect it and have no reason to believe it. However, they can speak for themselves as to why there was misunderstanding.

I said what I am going to say to that group of cattlemen, and I am going to say it to you; I am told that there was no mention made by the Secretary when he met with you last week of a provision in the amendment in regard to levying taxes and using the revenue to finance exports. I think I can understand why Henry Wallace didn't mention it. He does not have as much confidence in the immediate future in markets as some other schools of thought, and he is just so ultra fair and careful that he wasn't going to present the proposal on the basis of financing exports and then be in the position maybe a year from now of having somebody say, "Henry what about exporting those products?" To get in the position to do it is another thing. The intention and purpose of this is to get the law in shape with representative cattlemen as you are, and with representative corn and hog fellows and just as we have them in the Corn Belt we have them all over the country, and with representative dairymen so that we can get them into a room and say, "Here is a law that we can do any one of three things with -- yes, four things because we can still do what we can do now." There is nothing taken out of the Act; it is just added powers, and then if we can agree in this room, and I don't think anybody will question the fairness and practicability of the decision. And I don't think this group will agree on anything that does not give price stabilization.

I understand that you have copies of the amendment before you, and you have no doubt read it. Boiled down, its sole aim and purpose is to remove the requirement in the present law to make benefit payments, which means allotment programs, before a processing tax can be levied on beef cattle, upon dairy products, upon hogs, or upon sheep. That is all it means. Then in order to clarify its meaning, it goes further so that there can be no question as to the intent of Congress. It says that any one of three things can be done with the revenue. It says that you can take the revenue to dispose of surpluses. We all certainly know what that means. In other words, you could sell surpluses below the domestic price levels to get them out of the country, and you can take this revenue to finance the difference between the domestic cost and what you sold it for on the world market.

It says the revenue can be used to expand markets. I am sure that means both foreign and domestic, and it says you can use the revenue to make adjustment payments or benefit payments on grain, coarse grains, feed grains. If I know anything after these years of effort in studying and groping with this problem, I think I know we will solve the grain and livestock problem in one of those three ways. I don't know which one.

Now I am going to make this statement. I see the Secretary is in the room and I am going to close my remarks very quickly so that he can address this group. I want to say this: I don't know which one of those three ways will solve the problem. I am sure one of the three, or a part of each of the three will be the basis of its solution. I don't believe that any man is smart enough to-day to look into the conditions of the future and tell us what they are going to be in the livestock industry. I don't believe anybody can look into conditions of next spring or next year. I am interested in getting a law in shape so that the hog man, the cattleman, the dairyman and feed grain man can get in a room together, recognizing the relationship that exists, and upon consideration of basic facts make the decision as to which road we are going to travel.

I believe I know the farmer mind pretty well of the central west. I don't believe they are making reductions in production because they like it. I think they are doing it just because they like higher prices coupled with reduction better than they like low prices without reduction, but not because they like the basic thing in reduction. I think if a way can be found, and certainly I am not indicating that I think it will -- I hope it will -- if a way can be found, Mr. Lauterbach, to export surplus butter at anything other than a very serious loss, that is what the dairymen would rather have than to try to restrict production. I believe they would. I believe that would be true of the pork producer and of the beef producer, if we were in an export position. I think we can operate to expand markets. I don't know how much can be accomplished on those lines, but I am for both of them and trying to do both of them. But the way I feel, there is one thing I think I know we can do if we cooperate, at comparatively nominal cost. We can spread the taxes and provide revenue and go back and adjust grain and keep it adjusted and stabilize its price. We may be in disagreement on my next statement, but I believe study will reveal its justification. If we can accomplish stabilization of price levels of feed grain, undoubtedly we will curtail the production of pork (every experience shows it) to the point where we will maintain a favorable ratio of corn and pork prices. We are not going to get out and breed all the gilts in the country unless the feed ratio is most favorable. Get corn up to parity and keep it there, and we will adjust the production of hogs. If we adjust the production of hogs, we will get the price. We have proved that in these adjustments. And if you maintain the price of pork in this country, the cattlemen have little to fear. That is my honest opinion, for looking at it year after year, year after year, year after year.

I am looking into the facts in the last seven months and I find that the pork producer of this country made tremendous reduction; not all of it because of the reduction programs, but because of the price ratio again, and the drought, and as a result he got 45 percent more money for 12 percent less pork during a yearly average, and in seven months he reduced very much more than that and the price jumped up and what happened to the cattle price? You know that cattle prices went up. What happened to the production? Figures show that in the last seven months there were a million more pounds of beef in the markets of this country than in the same seven months in the previous year. What did it? It hasn't been because millions of people who have been unemployed have come back and with that income bought a lot of meat. There has been a lot of distress meat taken by this Government at no cost to the cattle producer and put into the mouths of a lot of hungry folks. In addition the contribution making it possible to do that has been made two-fold; One by the Federal Treasury and the other by the hog producers of this country who paid the processing tax.

I am not trying to protect the hog producer. I believe, if it could be done that the grain adjustment program should be borne by the producers of grain. It can't be done. Let's get to corn. About 5 percent of our corn finds its way into direct commercial processing. That is the only place you can levy the tax. Therefore we can't settle enough of a tax onto corn to have the revenue to make adjustments. It can't be done. The hogs consume about 45 percent of the corn and ought to carry 45 percent of the revenue necessary to adjust grain. They have been carrying 93 percent of the whole program that has raised all of the prices. As a matter of fairness, if you look at the facts, that in stabilizing grain you stabilize pork and when you stabilize pork you will largely influence, if not control the price of cattle. Then I admit that if 5 percent of the grain is processed directly, 5 percent of the revenue should be collected at the point of processing of the grain; if 45 percent of the corn is processed through hog consumption, 45 percent of the revenue should come from the processing tax on hogs; if beef cattle consumption is 16 percent of the grain, 16 percent of the revenue should be collected from the processing tax on beef; if dairy cattle consume 18 percent of the grain; 18 percent of the revenue should be collected there. It should be in proportion as the different units of the livestock industry process grain. The theory of the Agricultural Adjustment Act is to levy processing taxes at the first point in processing of a commodity. If the commercial interests process 5 percent of grain, that revenue should be collected there. If the cattle are the first processors of 16 percent of the corn, 16 percent of the revenue should be there. Likewise 18 percent should be on the dairy cattle and 45 percent or whatever it is should be on hogs. Because of the more direct relationship of corn and hogs, I am perfectly willing so far as any influence I have, to see that the hog which has assumed an unjust portion shall carry that part of the grain which is consumed where you can't levy a processing tax, horses, mules, etc., and the lesser items of consumption.

I think, Mr. Chairman, that I want to submit myself later to questions if these gentlemen want to ask any. This morning I have tried to explain my views as to what is in the amendment, its intent and purpose, as best I can and I will close my remarks by saying again that the only intention and purpose is to get the law in shape. There is no intention to ask the cattlemen, the dairymen, the hog men, or anyone to agree to any plan of operation. We want to get it in shape to give the power to do three things which it must do, and then we can depend on Chester Davis and Henry Wallace to do the right thing. In their hands I think we would be safe in that law.

(Applause.)

COLONEL WEATHERLY: Thank you, Mr. Smith. And now the Secretary is in the room, Mr. Wallace.

(Applause.)

SECRETARY WALLACE: I don't think any of us can be down here in Washington for any great period of time without being impressed with the exceeding importance of getting the different regions and different classes to pull together in a constructive manner, and because of the fact that certain feelings and misunderstandings seem to have arisen last week which would have tended to cause different groups, different regions, to be pulling at cross purposes when there was no need of such pulling at cross purposes, Chester Davis arranged for this group of men to return to Washington because he did not believe that some of you would have said certain things if you had fully understood.

It is my understanding from Chester Davis that there is no intention of any decision being reached at this meeting; that it is the intention that this is to be a meeting for understanding more completely, with the hope that the different meat producing areas of this country will be eventually a unit and not warring factions. It would be a disaster to agriculture and I fear to our nation if the different meat producing areas of this country had hard feelings the one toward another. It seems to me that we should approach this problem from the broadest possible agricultural point of view and should not allow our judgment to be distorted by the needs of certain very small selfish interests, - very small from the standpoint of agriculture as a whole.

It seems that at times I tend to speak my mind too freely under the assumption that each period who is listening to me understands everything which I know and of course that is a very dangerous assumption and I must continually guard against it. And it seems when I suggested last week that Chester Davis did not see "eye to eye" with me in all particulars about the approach to this, in view of the fact that all of you didn't know everything that I knew, and from the standpoint of your momentary fragmentary information, you might have been quite justified in saying, "What is the use of having anything to do with anything of this sort when the Administrator and the Secretary are at odds themselves?" As a matter of fact, we are not at odds. I should have gone on at that particular time and said that Mr. Davis' only questioning were based on the fact that it was his belief that a situation would result exactly as did result; that before anything

further should be done on this matter, the information should be got to you as fully as possible as to all the implications. On that point Chester's judgment is excellent. My own approach oftentimes is that you don't get something done without getting started. I understand that some of you have even suggested that I was trying to pull a fast one on Chester. Anyone who says that sort of thing to the country does not know Chester and myself. I suppose no two people in the Government are any closer than Chester and myself and when anybody tries to drive a wedge between us it just doesn't work. That is just the situation.

Chester's general approach to the situation I think is identical with my own. Chester's methods sometimes are different. Chester is much more of a diplomat and understands the political necessities. I tend to get impatient once in a while and touch off a bombshell here and there and say things which awaken resentment because sometimes I think we get to making progress faster that way and get the cards out on the table faster. At times I think a faster method is well warranted and appropriate and at times I think Chester's method is more appropriate. I am not dead sure that I made a mistake or not last week.

(Laughter.)

I will say if anybody thinks I am trying to put anything over on anyone or that I'm trying to pull a fast one then you made a mistake, but the only way I know is to get things started. What I said was certainly not with the intention of slipping over things; I was trying to tell what was on my mind on this matter in as straight a manner as I know. The important thing in my mind is to be a unit as nearly as possible and not allow ourselves to be driven apart.

When you turned this down last week, my first instinctive reaction was, well, we will have to go at it in another way. Then I heard that some of the Corn Belt fellows were "sore as the devil" and they were going to "raise hell." This hell raising business doesn't get us anywhere; but if any group transcends fairness in regard to the relationship between representation and taxation -- that is the same old thing that started the Revolutionary War -- if any group transcends too far in this thing that has to do with relative bearing of work, the other group starts to raise hell. We want to prevent that and I think if we are fair-minded men we can discover a formula that will prevent it. If we would rather pull apart, I am sure we will all be worse off. It is the same old situation of hanging together or hanging separately. I am sure we will all be worse off in the long run.

There are plenty of people who would like to have the agricultural interests fighting each other and they are working for that. I suspect they have worked on every man in this room in this endeavor to get the agricultural interests to fight each other. I question whether there is ever going to be an Administration in Washington more favorable to the farmers than this Administration. I know many of you would like to have an Administration which would go, as you think, further with the farmer, but frankly I question whether you will ever have an Administration which will go further than this Administration. Of course it does happen to be a fundamental doctrine of this Administration that we have to be guided by principles of fairness not only between groups

of agriculture but also between agriculture and the other groups. So far there hasn't been any danger of agriculture stepping on the other groups, but a question of pulling up as far as we could without tipping over the apple cart.

Have you spoken yet, Chester, this morning?

MR. DAVIS: Yes, I did, probably inadequately, but I spoke first and then Earl.

SECRETARY WALLACE: Well, I don't know whether I have told a different story from what you have told or not.

MR. DAVIS: I don't think so at all, Mr. Secretary. I wanted us both to be in the same room with our friends on this committee and clear up the matter of any differences between us.

SECRETARY WALLACE: I think that is exceedingly important to have that cleared up. Chester and I have worked very closely together ever since 1924. Some people don't seem to realize that. Our ideas have modified themselves in very much the same way. That is, we fought for the McNary-Haugen Bill. I think Chester came over to the domestic allotment approach at about the same time that I did. We had very much the same ideas in the old days and I think today he has very much the same ideas as I have. Our minds instinctively track along just about as close as any two people you will find. The only difference between us is that Chester has a different temper than I and sometimes he doesn't stick out his neck as far as I do; and I think Chester feels that I make mistakes sometimes, but on the whole I think Chester and I are a fairly good team, and the difference in temperaments tends to create sort of a balance.

Now that's that. I listened to the close of Mr. Smith's speech as he indicated a great desire to sell some farm products abroad at a very low price. It is true that we are asking for that power in this amendment and I think of certain occasions when we will need it. If I am going to be frank about these things, I don't have the same faith that Earl has in that approach. I can see certain situations where it is needed to tide us over a tight position. My guess is that the folks who come in pushing for it ordinarily will have to be repulsed. That is my guess in view of the whole broad international picture. It will happen again and again. In other words, suppose the dairy folks come forth with this kind of a program, Mr. Hones: We want the tariff on butter raised from 14 to 20¢ a pound so that we can sell butter at 40¢ a pound instead of at 30¢ a pound in the United States, and in order to sustain that position because, the price being attractive to farmers, the hog men will get into butter pretty lively, in order to maintain that position it is necessary to ship some abroad and the world market price is on the basis of 8¢ New York; if the dairymen came in with a double-barreled program of higher tariff and the privilege of selling butter outside of the United States at 8¢ a pound, my reaction would be that we would, to use the old expression, like to "kick the dairyman in the pants." That sort of thing just isn't going to recommend itself to the people of the United States, and were very much of that to go on,

if that is done by every class in the United States, it simply defeats and becomes absurdity.

Moreover, the thing won't last on an international basis. The things that would be done in England, for example, to protect her dairy producers, and the things that would be done on the Continent to protect the dairy producers, and the way the New Zealanders and others would squawk to the British Empire, would keep that cargo from being dumped. We might as well keep it at home and use it to feed those who need the butter. It is so easy to think that you can get off a hot spot by shipping things outside the country. There are nations outside of our country who misbehave on this very proposition, and it is nice to have a stick handy to shake, and to use that stick once in a while. This matter of selling goods on the world market very much below the domestic price is a longtime procedure. The feeling is that it won't work out. It may be that the State Department people are a little too polite on these things. I do want this power, don't you, Chester?

MR. DAVIS: Yes, I do.

SECRETARY WALLACE: Both of us want that, and I think in all fairness we should try it out. I don't know whether you said this or not?

MR. DAVIS: I think both of us have said it, and I don't think Earl said any more than that it would be well to have the power and try it.

SECRETARY WALLACE: I think it would be a very interesting thing to try especially with certain products, but in trying it I don't think we should expect too much from the method. It is liable to be one of those things that will jump back in our face.

I don't know that I have anything particular to say, but if there is any question and I haven't succeeded in clearing up any misunderstanding, I wish that you would ask me about it.

COLONEL WEATHERLY: Would it be convenient for you gentlemen to subject yourselves to any questions that we want to ask at this time?

(Affirmative response indicated.) All right, if there is anybody who wants to ask the Secretary or Mr. Davis or Mr. Smith any questions at this time, the meeting is open for that purpose.

MR. OLSON: Mr. Secretary, what do you mean by the "ever-normal granary"?

SECRETARY WALLACE: The idea of the ever-normal granary is to have approximately the same volume of grain in this country from year to year no matter what the weather may be, and as nearly as possible, more nearly the same price from year to year, no matter what the weather may be, and have that uniformity of supply and uniformity of price obtained by loans from the Commodity Credit Corporation and have

the Commodity Credit Corporation - the Government - be protected from the accumulation of burdensome supplies by the procedure which is set forth in one of the amendments to the Agricultural Adjustment Act, the procedure of using grain which comes into the possession of the Government in lieu of cash for benefit payments. The concept of the ever-normal granary seems to me to be exceedingly important in preventing that part of the feast and famine in livestock cycles which results from weather conditions.

MR. OLSON: In other words, to carry us over a bad season such as we just had.

SECRETARY WALLACE: You have seen a little bit of that at work this past year. If we hadn't had loans on corn in the fall of 1933, the livestock feeding situation in the late summer of 1934 and at the present time, in fact, would be much more desperate. I mean that 20¢ corn which was prevalent in the fall of 1933 would tend to have been wasted, moving into 'speculators' hands and not held on the farm to the same extent it was where it was actually needed.

MR. OLSON: I take it you feel that the first thing you would do with this money accumulated from the tax on all livestock, including butter, would be to reduce grains, feed grains, starting with corn, barley, and grain sorghums, is that it?

SECRETARY WALLACE: Well, not below the present point, no.

MR. OLSON: To control the acreage?

SECRETARY WALLACE: In line with the volume of livestock that can be moved into profitable consumption, that is the thing. To control the acreage of feed grains in line with the volume of livestock products that can be moved into consumption.

MR. OLSON: You would control livestock production by controlling the grain?

SECRETARY WALLACE: That's right.

MR. OLSON: To carry that out, how would you establish a normal granary if you are cutting the feed to the amount necessary to produce the right amount of meat and dairy cattle? Wouldn't there be a tendency on the part of the farmer to use that feed right up to the limit and wouldn't you be saying about the same thing to the farmer in telling them they should establish a surplus for the bad year, that we might tell our people, that you people have had bad years and it is up to you to set up insurance for yourselves and put money in deposit to carry you through on a rainy day, when they only have an income which actually pays for the bare necessities of living. With these cattle on the ranges, unless you cut the production of cattle by limiting them to some extent on the public domain, it seems we will have cattle coming in and people using grain to the limit and they will have nothing to store unless they store by the advancing of a loan higher than the market price.

SECRETARY WALLACE: In years of large crops it may be justifiable to advance a loan that is somewhat higher than the market price. In years of short crops the amount of advance should certainly be very much less. As a matter of fact, I very much question whether money should be loaned in years of short crops. We actually did it this last year on corn, but I very much question it. I feel that we want to guard this mechanism of loaning money on grain. It is such a useful mechanism that I think we want to guard it and keep it from being used unwisely.

MR. OLSON: Would you loan enough to obtain a parity price on corn?

SECRETARY WALLACE: No, I question whether we should ever loan more than 70 percent of parity price. We have loaned somewhat more than that; we did loan somewhat more than that this past year, but I am very much inclined to that view that in all these commodities it should be 70 percent of parity or a little less.

MR. ABBOTT: Wouldn't it be necessary to see that grain was available at a certain price? For instance, if you loan 45¢ on corn in Iowa, wouldn't it be necessary to establish some price that I, if I am a feeder, can buy my grain at?

SECRETARY WALLACE: If you have the ever-normal granary idea, it would be well.

MR. ABBOTT: Then the difference between that price and the market price would still resolve itself to speculators.

SECRETARY WALLACE: Although with the factors of supply controlled, speculation wouldn't have much to play with. If you had a more uniform supply of livestock and grain from year to year the speculative factor would be to a considerable degree ironed out.

MR. ABBOTT: Then we would have to have a normal supply of livestock.

SECRETARY WALLACE: This would result in that.

MR. ABBOTT: Wouldn't it force us to have a normal supply of livestock?

SECRETARY WALLACE: Yes, I understand in the long run that is exactly what it would do.

MR. ABBOTT: Isn't it as necessary to control the amount of grass as to control the amount of grain?

SECRETARY WALLACE: Oh, not nearly as necessary. It is a factor but it isn't nearly as necessary.

MR. ABBOTT: Would this plan if put in operation make it as necessary?

SECRETARY WALLACE: If your ranges instead of being over-grazed were somewhat under-grazed, the weather factor wouldn't influence the supply of livestock considerably.

MR. ABBOTT: My theory of ranching has always been to carry cattle from a low time to a high time. If you don't control the supply of grass, in certain years you will have a great number of three or four-year old steers and another year you would have a great supply of yearlings. If you had the same yearly marketings, all right, but the Wyoming man and the Nebraska man and the Montana man figures on producing a greater poundage on grass in some years than in others.

SECRETARY WALLACE: Yes, that is true.

MR. ABBOTT: Doesn't that make it necessary?

SECRETARY WALLACE: Of course it would be desirable. I don't think it is at all a determining factor. I think the seven-year cattle cycle would tend to a considerable degree to be ironed out when we all began working on this thing as a unit. And these old cattle don't balk in the conscience of the feeder as they used to. They do furnish the grass fat stuff when they come to the market in the fall, but they are not a determining factor.

MR. ABBOTT: I think they are. I think if you made this thing profitable to feed 60¢ corn, I think you would find the West returning to the production of heavy cattle.

SECRETARY WALLACE: That would be just during October, November, and December, chiefly.

MR. ABBOTT: No, it would be the whole year.

SECRETARY WALLACE: Do you think so?

MR. ABBOTT: For instance, our ranch has returned to the production of four-year old steers and it is going to be highly profitable and it has been last year and this year. It will be more profitable under 70¢ corn than 30¢ corn.

SECRETARY WALLACE: We run into general situations of that kind all through the agricultural adjustment programs, where the Government's centralizing power in affect proffers a monopoly on a certain area. We see it strikingly in the case of flue-cured tobacco, and there are all kinds of people on the outside who want to jump over the wall. It means in determining the amount of cattle which can be marketed profitably, that you have to also have in mind the idea that in the regulation of the acreage if there is too much of a reduction the result would be to cause people to come in from the outside by various devices. They come in from areas where regulation is unprofitable; the poultry folks come in unduly and the fish folks come in unduly in that part of the western livestock area that can't be controlled by reason of the public domain.

MR. ABBOTT: I think it depends on a different thing. I think it is on the amount of the 1200 pound steer that is corn and the amount that is grass. You have the same amount in a two-year old steer that has been fed from a thousand to 1300 pounds, as you do in a calf at 400 pounds that has been fed to a thousand.

SECRETARY WALLACE: Doesn't it get down to the relativity of several competing systems? In general it would seem to me with a smoothly flowing situation that the most profitable thing would tend to be the production of calves on the range or yearlings on the range and the marketing of the calves or yearlings to the Corn Belt. In the case of calves, feeding say for seven, eight, or nine months; and sometimes, of course, as they are now, if the market looks bad they put them on grass for a time and hold them over and start feeding again. If you had a well ironed out situation, they would market calves, feeding the calves on grain seven, eight, or nine months and feeding the yearlings we will say four, five or six months. If you had a smooth flowing situation, wouldn't that tend to be it?

MR. ABBOTT: I don't think so. I may be wrong. I think if you make corn worth 70¢ a bushel it will become highly profitable for me to furnish a 1200 pound steer.

SECRETARY WALLACE: That tells the story merely that our sides would be set too high with corn at 70¢ a bushel. The point you bring up is exceedingly important because eventually we have to --

MR. ABBOTT: Adjust grass.

SECRETARY WALLACE: I was going to say we have to stop thinking so exclusively about parity prices and think about a situation that will enable us to have a continuing state of balance.

MR. ABBOTT: I think you have to carry the program to adjust grass as well as you do corn. While it isn't as fast a feed --

SECRETARY WALLACE: I think you have to think even more deeply than that. You have to get to the concept of balance between different factors. Granting that we did go in and control grass -- I haven't thought a thing about it other than what we can do in the public domain -- suppose we did go in and control grass and we had the whole livestock products and meat situation served up as nearly as can be done by the control of feed grains and grass. Suppose we had that done. You then come around to what the fish folks and the poultry people will do to you and what competition will do and the extent with which you will push people out of meat into a vegetable diet. That is what you get around to there.

MR. ABBOTT: That is what I am afraid of.

SECRETARY WALLACE: That is why you have to look at it from a reasonable and broad point of view.

MR. ABBOTT: I think that the producer will turn to the other methods of producing beef -- and beef much more than pork,

SECRETARY WALLACE: Not if these regions will pull together and work out a balanced program. The thing can be done if they will work out a balanced program.

MR. ABBOTT: I am sure they won't unless they are under contract. I am sure that Wyoming will produce as many cattle as they can produce unless they are under contract.

SECRETARY WALLACE: I wonder if perhaps the productive power of edible meat of the western range is overestimated?

MR. ABBOTT: I don't believe it is. I believe it is more apt to be underestimated. While we have experienced a drought over the western country, still there is a great amount of western country, if it wasn't droughty, that never has produced cattle that could produce cattle or sheep.

SECRETARY WALLACE: I would like to see a careful statistical analysis made of the potential production in that region of edible beef.

MR. ABBOTT: In our country we produce in Northwest Nebraska beef that sells within 50¢ of the choicest cornfed beef and it is said that it resembles it closely on the hoof, and there are other parts of the West that can do the same thing.

SECRETARY WALLACE: You have been doing it right along; you still have grass fat beef on the market in the fall of the year.

MR. ABBOTT: My contention is that you will have more.

SECRETARY WALLACE: If the situation is not handled wisely I grant that there will be a tendency in that direction.

MR. ABBOTT: We have turned from the thousand-pound beef to the 1200 and 1300 pound beef. I think that is the highest priced beef today and the country is calling for more of it, and that bullock can be produced in three ways.

SECRETARY WALLACE: We have seen lots of ups and downs between the light and heavy bullock just depending on the relative supply between the two. As a matter of fact for the last 25 years the tendency has been away from the heavy bullock.

MR. ABBOTT: Everything was heavy 25 years ago. Then we produced the lighter bullock and produced more of them. Now there seems to be a balance. My contention is that they can be produced in three ways, from a calf or a yearling or a two-year old. The two-year old can be ready for the market in four months, the yearling in five months, and the calf in nine months and anything like this will make a shift to that sort of production.

SECRETARY WALLACE: I think your point is very well taken, and that we ought to consider that, but I think you are alarming us a little unduly.

MR. DAVIS: That is one point you have to forge out around the table in considering any effects that might develop under these powers. It isn't a question which the proposed amendment would attempt to settle, but it is one point to be thought out carefully. It is a matter that has to be ironed out in the development of any program.

MR. SMITH: Looking at it from the broader angle, I agree that cheap grain always results in a great expansion of pork production and it always breaks the price of pork, and you can't find an exception in the last ten years to the fact that when the pork price comes down the beef price comes down with it. Likewise when corn goes up and creates a more unfavorable feed ratio of corn to hogs, hog production is quickly reduced, resulting in higher prices for pork and that results in higher price of beef, whether light or heavy beef. As a beef feeder, I have always done just the opposite from what the cow man did. This year there is high priced heavy beef, next year the heavy beef will be comparatively cheaper and therefore if you are smart you will plan your operations for light beef. And vice versa, when the baby beef has been at a premium, it is a good idea to prepare to sell them at 1300 or 1400 because it will be more profitable.

But let's keep our minds on this law. It isn't a plan. I recognize there are a thousand and one factors which must be carefully considered before any plan of operation is announced by the Secretary after the permissive powers are secured in the law, but we must have the permissive powers or we can't do anything. We will have just simply one thing we can do and that is an allotment throughout this country and if that is what the livestock people want, Earl Smith is willing to go home and accept his allotment, but I can't believe an allotment on hogs, dairy cattle, beef cattle, feed grain, with the shifts that are taking place, the shifts in tenants, the new boys going onto the farms and the protection of landlord-tenant interests in a longtime program, I can't believe that it can be successfully, fairly, equitably and practically sustained.

I think there are two things with which the farmers ought to be concerned: They ought to be concerned with securing a law that gives the power to do any one of several things that have to be done; and second, they should be concerned with combining their influence, regardless of who is the President of the United States, to see that in the Secretary's office and in the Administrator's office and in the other offices of importance representing agriculture, there are tried and true men, representative of the farmers.

SECRETARY WALLACE: I may say on that point, Earl, that as I have watched the forces brought to bear on the appointment of the Secretary of Agriculture -- and I have had some opportunity to watch that -- the way the thing is loaded, the chances are three to one as a

rule that you will have a Secretary of Agriculture picked by the grain exchanges and the packers and the commission men. The chances are three to one the way the setup is under present conditions.

MR. SMITH: But you don't believe that would be true if the farmers really and truly organized and got away from sectionalism?

SECRETARY WALLACE: They would have to be awfully well organized; that is the way the situation is.

MR. SMITH: And I am not belittling the importance of the election of the President of the United States. I recognize the prime importance but I recognize that the farmers even well organized could not control that situation as well as they could the agricultural department and its personnel if they would pull together.

MR. BROCK: There is another angle to this that I wanted to ask you about: That is, the decided flexibility of other producers in assimilating these protein feeds in relation to, we will say, cattle and sheep. That is, producers of poultry and hogs can jump in and increase numbers so much more rapidly than you can in cattle. Have you given that consideration?

SECRETARY WALLACE: What particular bearing would you think it might have?

MR. BROCK: For instance any high trend could be absorbed immediately by those producing hogs or poultry which is something the cattle and the slower increasing livestock groups couldn't do.

SECRETARY WALLACE: That is a situation that has always existed. It makes it extremely important to have cattle on a well stabilized basis and have the same amount of she-stock from year to year and about the same volume of calves, yearlings, etc., on the market from year to year. The beef cattle men have always labored under the difficulties of that situation.

MR. BROCK: Looking at it from another angle, of course we recognize as was illustrated here on a graph the other day that these prices of meats follow the payroll index very closely.

SECRETARY WALLACE: That was the total income from meat, not the price per pound.

MR. BROCK: In cattle it follows it very closely in the price per pound.

SECRETARY WALLACE: Not as closely as that graph indicated.

MR. BROCK: Perhaps not as close as that graph indicated, but it does follow it closely. In case the buying power of the public moves up, and we will consume more meat of all kinds, which also follows the

buying power, poultry and hogs could of course immediately appropriate the major portion of that increase.

SECRETARY WALLACE: Well, as I was telling Mr. Collins last week when we were talking about this same problem, it seems to me our contribution in stabilizing this great meat industry, meat and live-stock products industry, would be probably the greatest single contribution which could be made toward the stabilization of payrolls. I don't think there is any one other contribution in this country that would have more to do with stabilizing the payrolls.

MR. DAVIS: Mr. Chairman, I think many of these points illustrate perfectly the kind of subject matter that this group and other groups will have to sit around the table to thrash out in considering a plan or combination of plans which might be put into effect with producer support in the event the legal power is granted to use Governmental agencies to carry these plans out. As far as the Secretary and I are concerned, we have no plan in mind. These things Mr. Abbott and Mr. Brock raised are factors that have to be taken into account and analyzed just as we have been attempting to analyze all the factors in all our programs. After all, that isn't what we are trying to get at today. I confess I don't know what the answer is to the point Mr. Abbott raises and I don't think anyone has thought it through. But some day, assuming that the powers are in the law, the dairy groups, the beef cattle groups, and the hog groups will have to patiently work with these problems and come to some conclusion, but we haven't reached that stage yet. I don't want anybody to get the idea that back of this amendment we have a finished plan.

COLONEL WEATHERLY: Gentlemen, I want to make this suggestion that these gentlemen are busy and if you have any questions in regard to the amendment, that is what we want, but as to details to be worked out, let's relieve them of that at this time.

MR. GUNN: The Secretary made a statement a minute ago which sent shivers up by backbone. I have lived long enough to know he is telling the truth that the Secretary of Agriculture is many times picked by --

SECRETARY WALLACE: (Interposing) I didn't say they had been but that they could be.

MR. GUNN: We sometimes feel that they have been.

SECRETARY WALLACE: I didn't say that, however.

MR. GUNN: You didn't say it, but I say it. Is there a provision in the Triple-A Act amended so that it might be taken care of providing something of that kind did happen? I think it is essential that something like that should be in there if it isn't.

SECRETARY WALLACE: I don't think it would help in the slightest. You can't take care of that by legislation. The only way you can take care of that is to be constantly on your guard when there is a chance of that influence.

MR. ROSS: What provision is therein the proposed amendment which would give the various industries which would be concerned a chance to be heard before they were drawn into some such program? Would the industry, for instance the cattle industry or the sheep industry, have to agree to a program before there would be one put into effect?

SECRETARY WALLACE: The plan ordinarily followed in the past in putting out programs is to hold hearings in different parts of the country to find out what the sentiment is. That is the way we did it with the corn-hog plan. And with the dairy plans, we went out to put it up to the people and found there wasn't enough sentiment for it to let us go through with it.

MR. DAVIS: Let me answer that a little more in detail. Even beyond going out and holding hearings, we always have followed the plan, and we think everybody who administers the Act has to follow it, of calling in the people from the particular industry to sit down and help work out the plan. We don't work out the plans ourselves. We had 25 corn and hog people sit in here for weeks and weeks to work out the plan. If you will recall, your committee had developed a tentative program last spring before the drought. You recall how you worked at that, how that was worked out here and arrived at, but the drought prevented its being submitted to the country. Had there been no drought you folks and our folks would have gone into the country and laid this down before the producer and said, "Here is what we have worked out and what we recommend." And the hearings the Secretary referred to would take place and the suggestions obtained in the meetings with producers in different sections would be brought back and you would finally put your plan into operation. The law does not require us to do that under the present statute at all, and as the Secretary says, it is pretty hard to write into the law any one limitation of that sort that will amount to anything. I think you can depend on it, that in administering these powers, the Administration won't stand up any time at all unless the program is developed with the producer and is of such a nature that the reasonable-minded producer will come along.

MR. ROSS: I think it is different in this situation because we are going to be dealing with one or more of the commodities and one or more of the livestock enterprises. My point is, if one industry, if the sheep industry, for instance, were not in accord with the program and would not go along on a livestock production control program through the control of the feed acreage, what would be the situation that would develop then, with the corn man willing to go along and the cattlemen and the barley men, etc., if one industry did not wish to go along? Where would we be?

MR. DAVIS: We would hold the group's feet to the fire until they developed a plan that the sheep people would go along on. If you didn't -- I am forecasting what would happen -- and tried to impose it on a group more or less opposed to it, you wouldn't last until the next meeting of Congress before that group would be down and have it changed.

MR. BOSS: Then we have to have the majority of the industry willing to go along before we can proceed.

MR. DAVIS: That is the principle we have operated on.

SECRETARY WALLACE: The sheep thing is so small that it is conceivable that the rest would see such benefits from the program that they would be willing to go ahead leaving the sheep people out. And of course there would be great resentment against the sheep people on the part of the others.

MR. SMITH: I am sure of one thing, that this amendment as drafted does not force everyone of the livestock activities into the program. In other words, if such a situation should prevail, if the cattle and hog farmers agreed and the sheep farmers opposed it, it would be possible at least to have a program where the beef cattlemen and the hog men cooperated and the sheep man set over here and didn't participate. I agree with Chester that if it is going to be workable we have to be in a reconcilable state of mind and give and take and recognize the facts.

SECRETARY WALLACE: I don't see how you could leave out beef or dairy cattle, though, and get by.

MR. SMITH: The law doesn't force it, but practically, it would force it to be a success.

MR. BROCK: Do you see any hazard in this law in case it were to be administered by a Secretary who might be chosen by other influences at some future date? Isn't there some hazard in this law?

SECRETARY WALLACE: No, I don't know that there is a good deal in this. What would happen, if you had that kind of a Secretary and Administration, you wouldn't have this law. The whole thing would be out the window.

MR. RUSSELL: I would like to know if you think it would be possible to put over a satisfactory program provided the tax were applied to the specific commodity instead of in the pool, so that the money derived from a specific commodity would have to be applied to the handling of that commodity and not for the group.

SECRETARY WALLACE: Of course that gets you into all this mechanism of handling numbers of livestock on the different farms. It is really quite a difficult approach. It means you are freezing the economic structure much more definitely than by the feed grain approach. When you start freezing each particular commodity, suppose we had a contract with each cattle producer as to how much of each kind of cattle he could have, it gets rather complicated.

MR. RUSSELL: Suppose you had a surplus of pork, couldn't the money derived from the tax on pork be used on pork alone and not take

it off the cattle producer too? The cattlemen apparently doesn't want to be taxed to take care of the hog exporter or the hog man.

MR. DAVIS: The law leaves the door wide open to deal with each commodity on its own bottom if it is found that is the best thing to do. Certainly I can't conceive of a situation where one commodity is taxed to be used for exports of another commodity. The pool will apply only in the event you are trying to get at the cause of increased production at the source.

MR. BROOK: That power is in the Act.

MR. DAVIS: If people are going to consider always that those administering the Act and the people called in to assist will do the unfair and unreasonable, you can build up a case against every law that is passed by the Congress of the United States.

MR. RUSSELL: The ideal situation that you are after is to pool all the tax money so that it can be used to take care of any particular necessity that comes up, whether it deals with cattle, hogs, or sheep. In other words, you can go ahead and take care of the hogmen for a time without consulting the cattlemen, and vice versa.

MR. SMITH: You either misunderstood me or I didn't make my position clear. So far as the law is concerned, get the law in shape and the power is there. So far as a plan of operation is concerned, I don't have any and I don't believe it is possible to have a plan during this session of Congress. It is a case which will require study for weeks and months through the summer and fall.

MR. RUSSELL: But speaking of what you could do, could you take the money coming out of the cattle producer to take care of the pork producer?

MR. SMITH: The amendment as drafted would certainly give the power to put a tax of a dollar a hundred on hogs and 25¢ per cwt. on cattle and 15¢ per cwt. on sheep or a larger amount, whatever the maximum is, and all the revenue or just 10 per cent of it could be used to finance exports of pork. That is a power.

SECRETARY WALLACE: That would be probable.

MR. SMITH: It might be probable if you could export the surplus because unquestionably the price of pork influences the price of beef and if the surplus of pork was breaking the price of hogs and therefore the price of cattle, it would be of mutual interest to the hog and cattle men to get rid of the pork so that the prices could rise. In the last seven months, with the tremendous decrease in pork supplies at the terminal markets and with the rise of price, even with the increase in pounds of beef, you have seen what has happened to beef prices as a result of this reduction in pork.

MR. DAVIS: Under the present Act, with beef cattle a basic commodity and hogs a basic commodity, theoretically there is the power vested in the Secretary of Agriculture now to impose a tax on both under the present Act. Now then, there is this limitation in the present Act that some benefit payment has to be made to the producers of the taxed commodity but it does not say all the proceeds of that tax have to be paid back to the producers of the identical commodity. That isn't required in the present law. Therefore it would be possible under the existing Act, if we attempted to do what was suggested by your question or Mr. Brock's, it would be possible to levy the maximum tax on cattle and pay the minimum benefit payment, and since all the funds come into the general fund of the United States, the U. S. Treasury Department, and are appropriated out to our use for any one of several purposes, removal of surplus, payment of benefit payments, etc., we could now take from the hog men and finance the removal of surplus of beef. The only difference between the existing act and the amendment is that now you have to go through what is substantially the form of paying the benefit payments on cattle to tax cattle and on hogs to tax hogs, but you don't have to spend all the money collected from cattle on the cattle producer or all the money collected on hogs on the hog producer, and yet no sensible man trying to keep in touch with the mass feeling of the producers would attempt to reduce that tax.

Unquestionably the hog industry paid the major portion of the revenue which went to control both hogs and corn, and yet a disproportionately large percentage of the money was spent for corn rentals when you figure what was collected from corn and what was collected from hogs.

MR. OLSON: Do I understand that you have the right to apply a compensatory tax now if this amendment is passed?

MR. DAVIS: It is worded in a particular way: It says the Secretary must find that the processor is losing volume and therefore is subjected to a competitive disadvantage in order to levy a compensating tax. Now in the case of beef cattle and hogs, as you know, they are largely handled through the same processor and it might be difficult to show that the processor was disadvantaged by reason of the fact that he processed more hogs and less beef as a result of the hog adjustment.

SECRETARY WALLACE: I wonder if the showing can't be made? You have a lot of people in a large part of the country handling only hogs.

MR. SMITH: There could be a compensating tax on beef if it could be shown that the program was curtailing their operations and affecting their profits and they put up a showing to justify the tax.

MR. OLSON: With your corps of efficient economists and statisticians you really could do that.

SECRETARY WALLACE: That should be phrased "processors or producers."

MR. DAVIS: Yes, I think that is right, but isn't it better to go in the front door with a program to which the beef cattlemen subscribe rather than use the device of the compensating tax? I raise that question although the hog men have felt uneasy because we haven't put a compensating tax on beef under the existing conditions. We have been reluctant to use the compensating tax power and would rather use the direct method.

MR. HONES: I would like to ask the reason why the fluid milk sections were left out of this. It seems to me, just analyzing this, and I know it is tentative, it seems to me butter and cheese fellows have been taking it on the chin for the fluid milk areas although I can see in a way the indirect benefit. I believe, however, if you are going to be fair and just to the industry, the fluid milk industry should be included in here, which would lower the percentage of poundage on the butterfat basis. I think it is very essential we have accord with the whole dairy industry, if possible, on this because I know the reaction that is going to come from my section on this particular basis here where fluid milk has been left out.

SECRETARY WALLACE: It seems to me there is good economic reason for making it on the butter and cheese areas rather than the fluid milk areas. From the competitive point of view, it is going to be the hog man in the Middle West who will be getting into the production of butter who will be causing the trouble. Butter is made very much more largely out of corn than is the case in fluid milk in the East.

MR. HONES: Doesn't corn go into the rations practically in proportion to the balancing of your units?

SECRETARY WALLACE: I don't think they use much more in the East in the rations than in the Middle West. I suspect we use twice as much to 100 pounds of milk.

MR. HONES: Gluten feed is used more heavily in the East than in the West.

SECRETARY WALLACE: Oh, yes. I think you will be in a stronger position to leave it the way it is. I can see how the dairymen in themselves would see it would be better to have them all in.

MR. HONES: My standpoint is that if the price structure is from fluid milk, we are better off. I agree with you on the possibilities of the corn-hog section going into the dairy industry, but through Illinois where the big production is, there also is closer competition with the heavy milk sheds area. I think there would be quite a kick back there.

SECRETARY WALLACE: Do you think it would be sounder to put them in?

MR. HONES: Yes, and then lower your per pound butter fat.

MR. DAVIS: This is simply a tentative draft and this is one of the questions undoubtedly that ought to be considered. Mr. Lauterbach just raised a practical objection to the division as it stands today, which I think it would be well to state.

MR. LAUTERBACK: This practical problem I happened to think of is this: In so many of our markets, in St. Louis, for instance, 50 percent of the milk goes into butter, ice cream, and evaporated milk and you would practically have to audit the books of every distributor who makes butter or evaporated milk or ice cream to find out whether milk went to fluid milk or not.

SECRETARY WALLACE: That is a good thing to do, isn't it?

MR. LAUTERBACK: We would have to do it all over the country. We are doing it in 48 places now. That is one of the practical problems.

MR. HONES: Wouldn't this arrangement now, even with the auditing, give more chance for chiseling than if you put it on the industry as a whole?

MR. LAUTERBACK: There is no question but that if you put it on the industry as a whole it would be easier to handle. I would like to say this that the Triple A Act is the first act the farmers have really giving them a chance to do something for themselves and I am considerably worried right now about the attitude of the dairy people. We have a problem on our hands. Some of them are going to meet in Chicago next Tuesday with the idea of ironing out their end of this, and I certainly hope that agriculture can get together and work out some kind of a program that is going to be a step forward. If we don't do that I am afraid somebody will come along in a year or two and throw the Act out the window and it will probably be the last time in our generation that we will get the opportunity that we have today. I believe the Secretary was right when he said you will never have an Administration as fair to the farmer as we have today. I sincerely hope there is some way of getting all these groups together and working out a program. I think so far as these amendments are concerned right now they are just going to pave the way for a program and it will be necessary for the corn-hog men and the dairy men and beef cattlemen to call each other names for a week possibly, and then get down to business and figure out a program. I can see many things in details that disturb me.

COLONEL WEATHERLY: Is there any other question with reference to the amendment that wants to be answered?

MR. HONES: Mr. Smith will be around here this afternoon, will he? I know Mr. Wallace and Mr. Davis are busy, but I do have some questions, but they can be ironed out.

COLONEL WEATHERLY: I feel that these gentlemen have been very generous with their time and unless there are questions, I suspect

the Secretary and Mr. Davis would like to go.

MR. SMITH: I want to make one statement. I will be available if you want me in this building until 2:45. If I don't see you again, I hope there will be no misunderstanding. Before I leave Washington I expect to appear before Congress on the aims and purposes of the amendment. I am not going to tie myself or try to tie anybody else or try to get a vote of the committee on the amendment as it is now before you. I want to make this statement so that if you hear that I appeared before the committee of Congress, you won't think you won't be given a chance to reconcile your views or revise the amendment. My statement will be directed solely to the aims and purposes of this amendment, and my efforts will always be directed toward making it more workable and practicable. The principle involved is the thing we are interested in and the wider powers given to the administrators of this Act so that we can face these problems as we see them in the coming months and the coming years.

COLONEL WEATHERLY: Mr. Davis, will you please state to the group about when this present amendment will be introduced and about how long it will be before there is full consideration by the legislative committees?

MR. DAVIS: Mr. Chairman, I haven't been in touch with the House Committee this morning and I don't know what their plans are. I understood that Mr. Jones expected to have a tentative copy printed this morning so that it could be before the committee for consideration. The Senate will take up consideration of the measure perhaps this week in open hearings on it, and I heard this morning that Jones expected to terminate the hearings in the House speedily. I hope that the hearings are not terminated too hurriedly so that everybody has a chance to be heard. It will be up in both committees during the next two weeks, and when it will come to a vote, I don't know. I think we ought to reconcile our views on one amendment and agree on changes while it is in committee in one way or another.

COLONEL WEATHERLY: Does the committee desire the amendment introduced and considered along with the present amendments?

MR. DAVIS: I would like very much to see all amendments that seem to be desirable for more satisfactory operation of the Act come out of one committee or the other so that it comes before Congress as one committee bill rather than see them separately introduced and dealt with as separate acts.

There are two reasons why this was not included in the first amendment. One was that it was not drafted and as Mr. Smith said the difficulty was to get it in simple language and not give too much power and give an erroneous impression. Another reason, I think we all felt the producers of livestock and grain ought to have good opportunity to discuss the thing before it is thrown into Congress and they have their minds settled on it. In other words, the field

should be plowed before the seed is put in.

I will be available if you want me to run down, except for a little time this afternoon, if you want me back with the committee at any time.

COLONEL WEATHERLY: Before we adjourn, gentlemen, I want to say that we will meet back in this room at 3 o'clock.

(Morning session adjourned at 1:15 p.m.)

MEETING OF THE CATTLE COMMITTEE OF TWENTY-FIVE

AFTERNOON SESSION
March 5, 1935.

The afternoon meeting was called to order by Chairman Weatherly, who stated that the purpose of the session was to discuss the business before the meeting.

The following motions are the result of this discussion:

MOTION made by Hubbard Russell (California); seconded by J. Blaine Shaum (Missouri) - that we recommend the Committee of Twenty-Five be retained as a Committee, subject to changes by the Department of Agriculture, and that the Department of Agriculture select eleven Regional Consultants from the Committee of Twenty-Five, one from each of the eight districts outlined on map presented, and three to be selected at large; these Regional Consultants to be representative of the beef and dairy cattle industries.....Motion carried.

**

ON MOTION by C. L. Jamison (Oregon); it was voted to table discussion concerning methods of raising funds for the permanent organization and take up discussion of the proposed Amendment.

Motion carried.

MOTION was made by C. J. Abbott (Nebraska); seconded by G. W. Rittenour (Ohio), to adjourn until tomorrow at which time we should request the services of a capable economist to explain the probable result of the application of the proposed Amendment.

Motion carried.

Before the meeting was adjourned it was unanimously agreed to request Mr. Earl C. Smith to again appear on Tuesday, March 6th.

MEETING ADJOURNED UNTIL TUESDAY, MARCH 6 AT 9:00 A.M.

** ON MOTION by H. H. Parke (Illinois); seconded by J. Blaine Shaum (Missouri), J. N. Robinson of Mercer, Pennsylvania, was elected Secretary of the Committee of Twenty-Five.

REPORT - MEETING OF THE CATTLE COMMITTEE OF TWENTY-FIVE

March 6, 1935.

The meeting was called to order by Chairman Weatherly, who asked C. J. Abbott (Nebraska) to take the Chair.

Mr. C. A. Burmeister, Agricultural Economist of the Bureau of Agricultural Economics, talked on the relationship of livestock numbers and prices to feed grains, and answered questions pertaining thereto.

Mr. Telford Taylor of the Legal Section of the Agricultural Adjustment Administration talked on the legal aspect of the Amendment to the Agricultural Adjustment Act, and the Reduction Control Program.

General discussion followed on the proposed Amendment.

MEETING ADJOURNED AT NOON.

The afternoon session was called to order by Chairman Weatherly.

Mr. Earl C. Smith, member of the Executive Committee of the Board of Directors of the American Farm Bureau Federation, addressed the group in further explanation of the proposed Amendment to the Agricultural Adjustment Act.

Mr. Smith pointed out to the Committee that the proposed Amendment only broadens the powers of the Secretary of Agriculture and enables him to use money collected from a processing tax for any one of the three purposes as set forth in the Amendment, which is not permissible under the present Act. He further stated that he had no plan, and that a plan would come after the Department and representatives of the industries involved have made a through study of the whole situation.

After this address there was a general discussion.

Administrator Chester C. Davis was called and questioned by members of the Committee of Twenty-Five. He discussed the authority granted the Secretary under the present Agricultural Adjustment Act and the authority that would be granted the Secretary under the proposed Amendment. However, he impressed upon them that he had given them all of the information available and that further action was entirely up to them.

A general discussion followed Mr. Davis' appearance and several motions were made but the following motion made by Thomas B. Glascock (Virginia); seconded by J. Blaine Shaum (Missouri), prevailed:

"MOVED that the members of the Committee of Twenty-Five, as reassembled for further discussion on the Reduction Control Program as presented to them, recommend that further consideration and study be given this matter by the Regional Consultants to be appointed from this group."

The voting was 12 in favor and 7 against.

THE MEETING WAS ADJOURNED.

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